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CANADA

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. ^{revenue} FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

THURSDAY, JULY 6

1905



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

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BUDGET SPEECH

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HON. WILLIAM S. FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, JULY 6, 1905.

WAYS AND MEANS—THE BUDGET.

Hon. W. S. FIELDING (Minister of Finance) moved:

That the House go into committee to consider of the ways and means for raising the supplies to be granted to His Majesty.

He said: Mr. Speaker, for the ninth time it is my privilege to present to the House the annual statement of the financial affairs of the Dominion, which is commonly called the budget speech. I much regret that the budget this year has been delayed to a somewhat late period, but the reasons which have occasioned this delay are within the knowledge of the House. In the early part of the session I was unavoidably absent in Europe, and on my return the House had taken up the consideration of two very important Bills designed for the purpose of creating two new provinces. It seemed desirable that these Bills should become law before the 1st July, this year, and with a view to accomplish that purpose we deemed it necessary to put aside other matters and proceed with them as matters of the greater urgency.

For that reason the budget is delayed to an unusual date. I am glad to know, however, that this has not led to any considerable public inconvenience. It had been well understood that there would be no extensive tariff changes during the present session. It was well known that the government had

announced their intention, before making any extensive revision of the tariff, to make an inquiry by a commission of ministers, and that commission not yet having had an opportunity to sit, it was well understood that during the present session we would not undertake any extensive tariff revision. That being the case, as I said a moment ago, I do not think any considerable public inconvenience has been caused by the delay of the budget. In view of the fact that no extensive changes are contemplated, and in view of the late period of the session at which we find ourselves, and I think I may correctly say, in view of the very general desire that public business shall now be rapidly expedited, I shall endeavour not to detain the House for as long a time as may have been necessary on the occasion of some previous budget speeches.

The public accounts for the year ending 30th June, 1904, have been in the possession of the House for a considerable time, and it will not be necessary to dwell very much on their contents. A brief reference is all that I shall deem it necessary to make. The outcome of affairs for the years in most respects does not differ widely from our anticipations; in some respects the figures differ, but not to an extent to cause any general remark. I estimated that the revenue for the fiscal year 1903-4, terminating on the 30th of June, 1904, would reach \$71,000,000; the actual revenue was \$70,669,816.82, a difference of \$330,183.18 less than the estimate.

Coming to the expenditure, the difference is more material. It is always more difficult to estimate the expenditure than the revenue, for this reason, that there are outstanding contracts running to the end of the year and sometimes overlapping into the next year, and it is not easy to determine how much money will be expended on any one of these works up to a given date. If the season proves particularly favourable for work, or if contractors are particularly energetic, they may do more work than is anticipated at an earlier stage of the year; and at the close of the year we may find it necessary to provide for a larger expenditure than we had anticipated at an earlier stage. At all events, at the close of the financial year to which I refer, we found that whereas the estimated expenditure was \$54,500,000, the actual expenditure was \$55,612,832.70, being an

increase over the estimate of \$1,112,832.70. These figures have reference to expenditures chargeable to income and represent the ordinary expenditure of the year.

I shall not dwell upon the receipts of the year except to say that on the principal sources of revenue there was a gratifying increase. Customs, excise and post office all showed a considerable increase; and the only item in which there was a material decrease was in regard to Dominion lands, a decrease which was due to the reduced revenue received from the Yukon. This increased expenditure affected to some extent our estimate of the surplus, which fell a little short of what I had anticipated. My estimated surplus for the year was \$16,500,000, the actual surplus was \$15,056,984.12, making a surplus less by a considerable sum than I had anticipated, but still the most magnificent surplus of \$15,000,000 and upwards, far and away the largest surplus ever recorded in the history of Canada.

The capital expenditure of the year 1904 came more closely to the estimate, and fell a little under it. In the budget of 1904, it was estimated that capital and special charges would reach some \$11,500,000; the actual expenditure chargeable to these items was \$11,244,711.80. The operations of the year in their relation to the public debt were on the whole very satisfactory. In the last budget I presented a review of the revenue and expenditure for a period of eight years. Dealing for a moment with our own expenditures, and leaving out of consideration certain entries which arose from the settlement of old long-standing accounts between the Dominion and the provinces, confining my observations entirely to our own expenditures, I made the estimate that at the close of eight years it would probably be found that we had carried on the affairs of the government for that period without adding anything to the public debt, and I thought we might even hope for a little reduction of the public debt. That anticipation was not fulfilled to the letter, but it was fulfilled to a very large extent. The increased expenditure to which I refer affected the calculation a little, but the result is that looking at those eight years' expenditures, leaving out of consideration the special entries in relation to the settlement of old provincial accounts which

had to be dealt with, but which were no part of our expenditure, and dealing with the matter in that light, we find there was an increase in the net public debt of Canada to the extent of \$278,232.94, or an average increase per annum for the eight years of \$34,779.11. While I make that statement, separating our own expenditure from the items connected with the readjustment of the old provincial accounts, if we include, as we must according to the figures published in our public accounts, the items readjusting the old disputed accounts between the Dominion and Ontario and Quebec, the net result will be that in eight years there is shown an increase of debt to the amount of \$2,370,285.83. Practically nearly all of that, as I say, is accounted for by the readjustment of old accounts with the provinces of Ontario and Quebec.

Now, with regard to the surplus, I intimated in the review of eight years' operation that our surpluses would probably amount to \$57,880,091.92. When the accounts were closed, the actual total surpluses on the eight years' operations was found to be \$56,437,076.04. The average surplus as estimated by me in the review to which I referred, was \$7,235,011.49; the actual average surplus on the closing of the accounts was \$7,054,634.50, a very gratifying statement.

Now, sometimes questions are raised in this House, and more frequently outside, as to the manner in which our surplus is calculated. I have discussed this matter in the House before, and perhaps it is hardly necessary to refer to it again. Yet I remember that we are in the first session of a new parliament, and that there are many hon. gentlemen here who were not with us in former years, and perhaps it would not be unprofitable if I devoted a few minutes to a consideration of that question. It is sometimes argued by unfriendly critics that Canada should not claim any surplus in her accounts unless she has a revenue which enables her to provide for all expenditures of all classes, without any exception, and that there should be no distinction between capital account and income account. That is a criticism not unfrequently offered in the public press, and I wish to say that in my judgment that criticism is unsound, and I say further, that it is directly at variance with the views that have been entertained by every

Minister of Finance of Canada who has ever occupied that position, without any exception.

The distinction between ordinary income and capital account has always been observed in our public accounts. And for good reasons. In a country like Canada, with great works to provide for, it would not be reasonable to suppose that every year we could provide out of our ordinary revenue enough money to meet all the demands upon the federal treasury. In the life of the nation, as in the life of the individual, there are times when it is necessary to provide for something which cannot be provided for within the ordinary current expenditure. The man who rents a house pays his rental from year to year. He knows that he must provide for it in that way. But, if he buys the house, he does not have to provide in the same way; it is a special disbursement; and he opens a capital account. That homely illustration of what a man will do in his private affairs explains exactly what the nation has to do in its greater affairs. There are great public works—the construction of canals, the subsidizing of railways, the erection of public buildings in the federal capital (for we do not charge outside buildings to capital account), and all these classes of large expenditures of special character, most of them for works of a permanent nature, are, and have always been, charged to capital account. And I persist in the opinion I have often previously expressed—and I am supported by the opinion of every Minister of Finance of Canada who has held the office—that it is right and proper to make a distinction between ordinary and capital expenditure, or special expenditures which should be charged to an account other than that of ordinary expenditure. So, on the general principle of the distinction between income and capital expenditure, there is no difference between hon. gentlemen opposite and myself. My predecessors adopted the same principle that I adopt in this matter. The only possible difference between us will be as to the working out of the details of the account. There is one item only in the capital and special account which did not appear there in the days of our predecessors; and that is the item with respect to the bounties on iron and steel, and so on. In the days of our predecessors, and for a number of years in our own, these bounties were

paid in the way of drawbacks from the customs revenue. That is to say, the customs revenue was never shown in the public accounts at its actual amount, but was subject to a deduction to the extent of the bounties that had to be paid. At that stage the bounties were not very large, and this method of treating the accounts was, perhaps, not a matter of very great concern; although, as a matter of principle, in my opinion, it was not the correct method. However, as I have said, it was established by our predecessors and continued for one or two years by ourselves. But when the amounts increased, as they did very largely, we thought there should be a change in the method of dealing with them; and we decided that they should be charged to a special account, which is practically capital account, along with railway subsidies and expenditures of that nature. We regarded these bounties as temporary outlay intended to run for only a few years; and therefore they might be considered as special expenditures. However that may be, there is that difference between the accounts of our predecessors and our own—they charged these bounties practically to income, inasmuch as they deducted them for the customs revenue; we have charged them to capital or special account. And it is a fair question, as it has been in the past, whether that is or is not the proper method. What I wish to point out is that we need not dwell very much on that, because the difference between charging these bounties to income and charging them to capital would not affect to any considerable extent the question of the surpluses. If the surpluses had been small, it might be possible by an analysis of the accounts, by transferring these items from capital to income, to show that there was no surplus at all. Happily, however, nothing of that kind has occurred. The surpluses have been large and generous. And if we transfer these disputed items—if I may call them disputed—from capital to income account, they do not make much difference in the general result. The net total surplus for eight years is \$56,437,076.04. If we throw out the bounties and charge them to income, we find that the net surplus for eight years has been \$53,107,692.77. The average yearly surplus as shown in our statements is \$7,054,631.50. If we leave out the bounties, the average yearly surplus has

been \$6,638,461.59. So, though these bounties amount to a large sum in themselves, yet, whether you charge them to income or charge them to capital does not make much difference, comparatively speaking, so far as the surplus is concerned.

The question of the interest on our public debt is always of importance. In a country like Canada, it would be reasonable to suppose that there would be a considerable increase from time to time in the burdens the people would have to bear in the way of interest on the public debt. We are able to present a very gratifying statement on that point. The net amount of interest on the public debt is actually less than it was in 1897. By the net amount of interest I mean this: We first take the actual interest paid on the gross debt; then allow for the interest we receive from sinking funds and other investments, and the balance represents the net amount paid on the public debt, the actual burden upon the people for that service. The following figures will show the reduction in the net amount paid for interest on the public debt:—

Reduction in net amount of interest on public debt :—

1896-97.

Amount paid in interest on public debt . . .	\$10,645,663 27
Received as interest on sinking funds and other investments	1,443,003 84

Net amount of interest, the real burden upon the people	9,202,659 43
--	--------------

1903-04.

Amount paid in interest upon public debt..	11,128,636 72
Received by way of interest on sinking funds and other investments	2,236,255 93

Net amount of interest on public debt, the real burden on the people	8,892,380 79
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So, the net amount of interest on the public debt to-day is \$8,892,380.79, as against \$9,202,659.43 in 1897.

Mr. FOSTER. What was the net payment in 1903?

Mr. FIELDING. In 1903 it was \$9,047,186.13. I come now to the year ending June 30, 1905. As a rule, the budget speech deals with the current year. But we have to recognize the fact that, owing to the lateness of the budget statement this year, we are dealing with a year that has been completed, the

fiscal year ending June 30 last—that is last week. Under the system followed in the mother country, it is possible, within a few days after the end of the fiscal year to make up the statements of the year's business. It is not the practice there to delay for the settlement of any accounts. The accounts are closed as they stand at 31st March, and any outstanding accounts are taken into the transactions of the next year. That may be a convenient and useful way to deal with the accounts in a country like Great Britain, where they have a dense population, where the distances are short, the means of transportation very good and the operations of the national exchequer throughout the country are quickly brought under review. But it has not been found suitable to Canada, with our vast territory and with great operations going on from ocean to ocean involving the collection of money at distant points. With territory so far from the capital as British Columbia and the Yukon, it would be found most inconvenient for us to close the accounts on June 30. We have, therefore, in the wisdom of parliament, and under all governments, deemed it well to allow time for closing up the accounts. Therefore, though our fiscal year ended a few days ago, it may be a couple of months before we can have a correct idea of the operations of the year. Nevertheless, as we have now just closed the year, we are in a better position to form an estimate as to its operations than we would usually be. I find that the receipts of the Dominion up to the 30th of June, as shown in the last ten days' statement—that means the receipts that have been brought to the notice of the Finance Department and have entered into the Dominion books; it does not mean the receipts everywhere, because there are receipts in distant parts of the Dominion which are not yet reported—the receipts which have passed through the books of the Finance Department up to the 30th of June—as shown by the last ten days' statement—are as follows:—

From customs.	\$40,954,871 94
From excise.	12,461,113 42
From other sources.	16,058,772 18
Total.	69,474,757 54

I propose to add to this \$69,474,757.54, as the probable sum to be received into the Dominion treasury from the differ-

ent operations of the Dominion where the money has been collected, an estimated sum of \$1,775,242.46 which will appear in the final adjustment of the accounts for the year. Therefore, I estimate the revenue for the year which has just closed at \$71,250,000 in round numbers. This, if realized—and I hope it will be and possibly a little more—this will be an increase of something like \$600,000 over the revenue of the previous year; not a very large increase, but we are hardly in a position to expect that our revenue will increase in the future as rapidly as in the past, though I feel sure that there will be a steady, wholesome growth.

Coming now to the question of the expenditure for the year which closed on the 30th of June last; the expenditure accounted for in the Finance Department to the 30th of June (as shown in the last ten days' statement) was \$50,279,597.14. I propose to add to that, as the probable additional outlay which will have to be made to complete the operations of the year, the sum of \$11,970,402.86, making the estimated total expenditure for that year, \$62,250,000 chargeable to consolidated fund account.

The actual expenditure for the year 1903-4 was \$55,612,832.

It is apparent, therefore, that while we are estimating on a moderate increase of revenue—which I have placed at about \$600,000, though I am hopeful it will be better—we have to provide for a largely increased expenditure.

Mr. FOSTER. What were the figures of the expenditure last year?

Mr. FIELDING. The actual figures for 1903-4 were \$55,612,832, and the estimated expenditure for the year just closed I put at \$62,250,000, making the increased expenditure for the year, chargeable to consolidated fund, \$6,637,167.

Now, under some circumstances that would be a statement which would give grave cause for anxiety, and even alarm. To have a small increase of revenue and a large increase of the expenditure is of course a reason for great watchfulness and care, but in this case, while we should be watchful and guard against any extravagance, and while an increasing expenditure

with a moderately increasing revenue is a just cause for exercising more than ordinary watchfulness, yet, I am glad to say, there is no cause for alarm, because we shall be able to provide for that largely increased expenditure during the current year and yet have a very handsome surplus to our credit.

Some hon. MEMBERS. Hear, hear.

Mr. FIELDING. Estimating the consolidated fund revenue at \$71,250,000 and placing against it the consolidated fund expenditure of \$62,250,000, we find that notwithstanding our liberal expenditure of the past year, we shall close the year with a handsome surplus of \$9,000,000; a surplus large in itself, small by comparison with our surpluses of \$14,000,000 and \$15,000,000 of recent years, but nevertheless larger than any surplus ever recorded in the history of Canada prior to the days of the present government.

The expenditure on capital account for the year 1904-5, as shown in our accounts to the 30th of June, was \$11,007,925.51. I add to that a probable further sum of \$1,492,074.49, making a total estimated capital and special expenditure of \$12,500,000.

Now we may consider the effect of the operation of this large capital expenditure, together with the consolidated fund expenditure I have mentioned, upon the question of the net debt. For this purpose we have of course to take into consideration all expenditures. The estimated expenditure on consolidated fund account then is \$62,250,000; the estimated expenditure on the capital and special account is \$12,500,000; making the total estimated expenditure of all classes for the year \$74,750,000.

Against this we place the estimated revenue of \$71,250,000, and the sinking funds, \$2,250,000, which are expenditures on one side of the account, but which immediately pass into our assets and therefore do not increase our public debt. Taking into account then our total expenditure estimated for the year at \$74,750,000 and placing against it our revenue of \$71,250,000 and the sinking fund of \$2,250,000, we reach the conclusion that there will be, in closing up the year's accounts, an addition to the net debt of Canada of \$1,250,000.

Mr. HENDERSON. Cheer now.

Mr. FIELDING. Well, it would be a happy thing in the days of the friends of my hon. friend (Mr. Henderson), if they could have closed year after year with an addition of only one and a quarter million dollars to the net debt of Canada.

Some hon. MEMBERS. Cheer now.

Mr. FIELDING. If they could always have come out with no greater addition than \$1,250,000 to the public debt in a year, it would have been deemed a most gratifying statement by the Conservative party.

Mr. FOSTER. That all depends.

Mr. FIELDING. Yes. I am not trying to import a party element into this discussion. There were some years that my hon. friends opposite did have a surplus to their credit and the public accounts show it, and nothing is further from my purpose than to indicate to the contrary.

Mr. COCHRANE. You like to enjoy a little cheap applause when you can get it.

Mr. FIELDING. My hon. friend is not bound to join in the applause. There is nothing in the revised statutes of Canada which obliges him to join in it.

I think, Sir, when we have regard to the vast works that have been carried on, to the very liberal expenditure in which Canada has been indulging, when we have regard to what my hon. friends opposite sometimes wish to call the lavish expenditure of the government, it will be a very gratifying statement of our affairs if, at the close of the year which ended a few days ago, it turns out that we have no addition to the public debt beyond \$1,250,000. I present that as a somewhat conservative statement; I am not without a hope that the result may be better, that we may even be able to come out square; but if there be an addition to the net debt of Canada on the operations of last year, my judgment is that it will not exceed \$1,250,000.

Mr. SPROULE. You have not yet given us the net debt.

Mr. FIELDING. I have given my hon. friend the amount of the probable reduction of the net debt. The figures are

given in the public accounts. The gross debt of Canada is about \$364,000,000 and the net debt about \$260,000,000. The exact figures will be found in the public accounts; I am giving the reduction or the addition, as the case may be.

A budget speech usually deals with two years: it deals with the year that has passed, the accounts for which have been before the public, and then it deals with the year current, which is usually well advanced at the time the budget speech is delivered. This year we are in the exceptional position that the second year has closed, and we are just entering this week upon a new year, the fiscal year which will end on June 30 next, of which only a few days have passed. It is not usual for the Minister of Finance to go very minutely into the affairs of that future year, chiefly because at the ordinary time for the making of the budget speech that year is quite remote. Just now, however, we are nearer to its affairs than usual, and to that extent we are in a better position to form an impression as to the outcome. We have had eight years of certainly very prosperous finance in Canada. The eight years' statement of expenditure which I have given must be gratifying to the hon. members on both sides of the House. Our operations of the past year are also in their general result very satisfactory. But we realize that we are now reaching a period when our revenue is increasing in only a moderate degree, and when, nevertheless, we have to consider the question of a considerable increase in expenditure. It is necessary to guard against too lavish expenditure; surely a Minister of Finance must always appreciate that, but it would be equally possible to err on the other side. There is a saying which I have quoted once to this House, that wise expenditure is true economy. A single dollar squandered or spent corruptly is open to the greatest censure, but hundreds of thousands and even millions of dollars, spent in useful public work, will be defended by every good citizen. Therefore, while on one side we should guard against extravagant expenditure, I think, in this period of the growth of Canada, in the midst of this period of great development, it would be a serious mistake to deny the public service the grants which are needed in order that the progress of the country may not be interrupted. The function, therefore, of a

Minister of Finance is to find a happy medium, to guard on one side against wastefulness and extravagance and on the other side to see that the applications made by his colleagues and by the people of all sections of the country for increased expenditure shall not be refused, if the proposed expenditures are reasonable and likely to assist in the general development of the country. Therefore, we do not shrink, Sir, from bringing forward liberal expenditures for the coming year. We think that the liberal expenditures of the past have been one of the factors—how large a factor may be a matter of debate—but surely on both sides we can agree that the liberal expenditures of the past few years have been one of the factors which have made for this great development of which every Canadian citizen is so proud, and if that be the case, we should be prepared to continue a liberal expenditure for useful purposes, guarding against extravagance and wastefulness. The demands upon the treasury of the country are great and varied. We have a vast territory with varying needs according to the varying physical conditions. In one part of the country it is the construction of a great railway which seems to be demanded to meet the requirements of the people; in another case it is the construction of a new canal or the enlargement of an old one; in another case it is the construction of a great armoury to afford the facilities required by our militia and to encourage the men who are giving their time and devoting their energy to the study of the work of defending our country; in another it is the construction of public buildings to give an increase of necessary accommodation to the public officials and to stimulate the local feeling of the people and encourage them to go ahead with the improvement of their community; in another case it is the construction of a breakwater to protect the fishermen; in another case it is the construction of a wharf or pier to bring the people of the community in which this work is placed within the reach of the various means of communication. In a country stretching from ocean to ocean, with widely differing needs, it is the function of the government to take into consideration all these wants and to endeavour to provide for them in a generous spirit. We have adopted that view, and in the estimates that we have sub-

mitted to parliament we provide for a very liberal expenditure in the coming year. The question is: Can we afford that expenditure? We feel satisfied, Sir, that we can afford it, and that it is in the best interests of the country that to the extent of our appropriations we should meet the demands which come upon us from all parts of the Dominion. We have brought down for the next year main estimates amounting to \$58,495,187.70 on consolidated account. We have also brought down supplementary estimates on the same account amounting to \$8,394,710.60, making a total of \$66,889,898.30. But it is to be remembered that in the next session there will probably be a number of supplementary estimates to wind up the affairs of the year, just as during this session a supplementary estimate was submitted to wind up the affairs of the past year. The final supplementary estimate for the past year amounted to something under \$5,000,000. I am therefore placing \$5,000,000 in my statement as the sum which we will probably have to ask for in the next session of parliament to close up the affairs of the year.

Mr. FOSTER. What was the amount of the supplementary estimate?

Mr. FIELDING. \$4,839,556. That includes the estimates brought down some days ago and which have now been passed for the year ending June 30, 1905. Thus, in allowing \$5,000,000 for the next year, we are providing a sum larger than that for which we asked the House in the final supplementary estimate in the last year.

Thus, taking our main estimates as submitted and our supplementary estimates as submitted, and allowing that next session we will have to add \$5,000,000 more by way of estimate for the year, we shall reach a probable total appropriation for the year of \$71,889,898.30.

If we could look forward to the expenditure of that whole sum, we anticipate that the revenue of the year would be equal to it and would enable us to pay the whole bill and have a modest surplus. But of course experience has shown that you cannot spend the whole sum appropriated, for various reasons. It is found impossible to spend within the year all the money

that parliament appropriates. Take, for example, the Department of Public Works; it is necessary that appropriations be made in order that you may authorize the proper officials to begin to make plans for public works, to take all the preliminary steps and to get ready, but with a vast territory to cover and a great deal of work to be done, it frequently happens that the officials cannot overtake the work, and at the end of the year there is a very considerable sum of money which has been appropriated for works which will ultimately have to be built, to be expended within the next fiscal year.

Experience shows, as my hon. friends opposite are aware, that necessarily very considerable sums lapse. I said a moment ago that even if there were no lapses, we would still, I feel confident, have the revenue to provide for every dollar of our expenditures on consolidated fund account; but if we take into account the customary lapses, which will reduce the expenditure to a very considerable degree, I feel confident that at the close of this year, upon which we have just entered, we shall be able to provide for all our expenditures chargeable to consolidated fund and to have a very respectable surplus. I would prefer not to go into figures so far ahead, but I feel confident we shall have a very respectable surplus, and if it should prove to be, as it is quite possible with the development of trade, a large surplus, then to that extent, whatever the surplus may be, it would go against our capital expenditure and diminish the amount which would otherwise be added to the debt of the country.

Mr. FOSTER. Has the hon. gentleman made any calculation as to what the revenue will be?

Mr. FIELDING. Yes.

Mr. FOSTER. In its different parts?

Mr. FIELDING. No; I have not in detail. My general estimate is that there will be a moderate increase of revenue as compared with the revenue of the past year. I do not place it at a large amount. I think that, as we have during the year which has just closed, only had an increase of some \$600,000—perhaps it may reach \$700,000 or \$800,000—over the re-

venue of the previous year, I would not be justified in expecting a large increase in the coming year, but I anticipate the revenue of the coming year will be equal to the revenue of the past year, and that, roughly speaking, we will probably have a million more.

Now, in regard to our capital account, because I have been dealing so far with the question of the consolidated fund account only, our main estimates provide for \$10,169,210, and our supplementary estimates for \$5,020,262.85. I add, as a probable supplementary estimate at the next session for the same year, \$1,500,000, making an estimated total appropriation—not necessarily a total expenditure—on capital account for this year of \$16,689,472.85. This is an unusually large appropriation on capital account, but the House must remember that we have now reached the point where we are beginning to provide for the construction of the Transcontinental Railway, and from this time forward we must expect to see in our annual appropriations very considerable sums chargeable to capital account which must be appropriated for the construction of that road. For example, in the estimated votes amounting to \$16,500,000 and a little more, which I place as the probable total of the votes on capital account for this current year; we have asked for \$3,682,212.85 on account of the Transcontinental Railway, and we must expect that from this on——

Mr. FOSTER. A part of which is a back debt already due.

Mr. FIELDING. Not for the Transcontinental Railway.

Mr. FOSTER. Part of it.

Mr. FIELDING. What is that?

Mr. FOSTER. For plans and surveys taken over from the Grand Trunk Pacific.

Mr. FIELDING. Whether that enters into one year or another is of no consequence. It all goes into the general account. The plans and surveys have been taken over by the commissioners from the company, and we have to take an appropriation to pay for them. Whether we put that in the appropriation for one year or another year is of no conse-

quence. This is a charge which has not hitherto figured in our public accounts to any extent, but we must anticipate that from this time forward, from year to year, we will be called upon to provide large sums for this service, and I am inclined to think that the larger the sums we ask for, provided they are expended, the better the House and the country will be pleased, because the general desire on the part of hon. members on this side, and I would hope, of hon. members on the other side, although they did not quite agree with us as to the scheme, now that the scheme has been adopted, is that we should prosecute the work with all possible speed, complete the new road and see what good it is going to bring to our country. Therefore, I do not regard it as a matter of regret that we are obliged to ask for this large sum in our capital account for the current year, nor do I regard it as regrettable either that we shall be obliged every year, for the next five or six years, to include in our capital appropriation a very large sum on account of that railway. While the appropriation of these sums will necessitate the raising of considerable money for construction, they will not affect our general interest account as it appears in the public accounts, for some years to come. In the General Railway Act of Canada the principle is recognized that interest during construction is a part of capital account. Every railway is constructed on that basis. That principle has been carried into the legislation respecting our Transcontinental Railway. The interest during construction is payable out of the capital, and at the close of the construction period, it is all added to the capital sum, and thereupon the Grand Trunk Pacific pays us a rental based upon the total sum, including the interest. Therefore, during the period of construction, while the Dominion will have to pay the interest, of course, on all the sums it borrows, that interest will be charged, as respects the railway, in the capital account, and our ordinary interest account will not commence to bear any burden until after the construction period has been finished.

There is a very interesting feature in our financial affairs to which a passing reference may be made, because it is very suggestive. I allude to the remarkable increase which is shown in the public documents in respect to the issue of money

orders in Canada payable abroad. Between 1884 and 1899 such orders amounted to between \$2,000,000 and \$3,000,000 yearly. For the year ended 30th June last they amounted to almost \$8,000,000. The countries for which the principal increases have taken place are the United States, the United Kingdom, Italy, Newfoundland and Japan. In the case of France, Germany, Norway and some of the other European countries, there are small increases. The most noticeable increase, however, is in the case of Italy, on which orders were issued in 1904 for \$546,283, whereas in 1900 the amount of such orders did not reach \$60,000. While part of the increase is due to increased business generally, a very large proportion of it is to be traced to the increased immigration, and that the people who are coming to the country are finding profit in their labours may be inferred from the remittances which are being sent to the lands of their origin. Money orders issued in Canada payable in other countries:

1899..	\$2,466,772
1900..	3,060,548
1901..	3,631,969
1902..	5,126,367
1903..	6,107,124
1904..	7,946,337

These figures would by no means indicate all the money orders which our new settlers, temporary or permanent, have sent abroad, because, of course, our banks do a large business and our express companies do a very considerable business in this respect, but the figures showing such a remarkable growth in the issue of money orders are very suggestive as showing that the people who have come to Canada, whether permanent or temporary, are people who have found Canada a prosperous country, and who have earned enough to be able to send money abroad to the countries of their origin.

Mr. FOSTER. Has the hon. gentleman made any estimate as to what proportion of these money orders are what you might call settlers' orders or temporary labourers' orders?

Mr. FIELDING. It would be difficult to discriminate. In the case of the Italians, I think a very considerable sum would be temporary labourers' orders, because the Italians, as

a rule, are not as prone to settlement as the peoples from other portions of Europe. It seems, however, impossible to discriminate, except by taking the countries to which the money goes as an indication of the class of money orders. A considerable sum was probably sent by Italians, who are, as a rule, only temporary settlers; but even so, that indicates that they have found profitable employment in Canada and are able to send abroad a good report of it.

It is customary in the budget speech to introduce statistical information showing the progress of the country; but I shall refrain from doing that at present, because it is not absolutely necessary, and because I desire to shorten the debate as much as possible. It will be sufficient if I say, with reference to the statistics of trade and commerce, the development of our banking institutions, the discounts in our banks, the transportation statistics of railways and steamboats, that all these classes of information go to show that Canada is continuing to enjoy a very large measure of prosperity.

With regard to the question of public loans, I am glad to say that we have only one temporary loan outstanding, namely, the loan of £600,000 sterling in treasury bills, which we placed a short time ago in London at the very satisfactory rate of two and a quarter per cent interest.

Mr. FOSTER. Does that include the cost?

Mr. FIELDING. No, but there is very little cost in temporary loans. That represents the rate to the bank. There may be some trifling charge in addition to that.

Mr. FOSTER. How long has that to run?

Mr. FIELDING. It is a six months loan to mature in September. We have the 4 per cent loan of 1875, £1,000,000 sterling, which will mature in London in November next. That is our only loan maturing this year. Next year there will be one of £2,500,000, and so on—large loans maturing down to the year 1913. In almost every year down to that date we shall have some loans falling due. After that there will be quite a long period during which there will be no loans maturing; but for some years to come, we shall have almost every year to provide for these maturities. With regard to the

loan of £1,000,000 sterling at 4 per cent interest which will mature on the 1st November next, our present opinion is that it will not be necessary to go on the London market for a general issue of securities. The conditions are more favourable than they were, but the war in the East has unsettled the market for a long time; and it may be found advantageous to Canada to carry on our £600,000 sterling loan and the £1,000,000 loan about to mature, by means of treasury bills for short periods until peace is proclaimed and the market is in a more satisfactory condition. Then, if necessary, Canada may go on the general market. In the meantime, we think it will be advantageous to use our powers in the way of floating temporary loans, but that question will be determined in the light of events that may happen.

Attention has been called for some time in this House and in the public press to the subject of the large amount of foreign currency, notably United States silver, which is in use in Canada, and the very general desire has been expressed that some step should be taken to minimize what many regard as an evil, or what, at all events, is objectionable. If there were reciprocity in that matter, I suppose there would be less complaint. If our brethren across the line would accept our Canadian silver as we do theirs, there would be no interest in either party trying to export the silver currency of the other, but we find that across the border Canadian silver is not generally accepted. There may be some exceptional community where it is taken, but as a rule, it is not taken in the United States, unless in the immediate border towns, while United States silver is very generally taken in Canada. We have, therefore, come to the conclusion that it would be well to take steps to send it back to the United States. There was a movement of that character some thirty-five years ago; as hon. gentlemen may recollect, but perhaps no one wants to plead guilty of remembering so far back.

Mr. FOSTER. I do not.

Mr. FIELDING. But in the days of my distinguished predecessor, Sir Francis Hincks, the circulation of United States silver in Canada was regarded as very objectionable; and after

long consideration, he determined to take steps to export it. And he did succeed in exporting a very large sum. From that time on, the circulation of United States silver, while pretty general, has not been anything like as large as in those days. Nevertheless, in view of all that has occurred, we think it desirable to take means for the shipment of it back to the United States. We do not desire that any one should refuse to take it, because that would interfere with trade; but we propose to provide that when that silver reaches the banks, it shall not be re-issued, and we propose to make an arrangement with the banks under which they shall ship it back to the United States.

Mr. FOSTER. Have you the power to deport it ?

Mr. FIELDING. I believe that when we get to the line, there might be a question as to our power. If a man on the one side of the line wanted to send the silver across to the other, a very delicate international question might arise; but I intend taking the risk, notwithstanding the judgment of the distinguished judge in the province of Ontario.

Mr. URIAH WILSON. Will the banks take United States silver at par from their customers under such an arrangement ?

Mr. FIELDING. Yes, we do not think it wise to attempt to charge any discount on it, because that might interfere with trade, especially along the border towns. Our method will be to arrange with the banks that they shall take the silver at its face value and then send it abroad. We shall pay them a special commission for that service, three-eighths of one per cent, besides which we will pay the express charges.

Mr. FOSTER. What for ?

Mr. FIELDING. For the banks' own services, and besides the commission we will pay them the money they would be out of pocket by the expressage. Of course this country will receive a very material profit—though I do not think I would recommend the transaction on that ground in substituting Canadian for United States silver. While in the coinage of gold there is no profit whatever, because a gold coin has only its intrinsic value and the stamp adds nothing to that value, in the

case of silver coinage it is otherwise. In the case of silver, the value of the coin is very much in excess of the intrinsic value of the same quantity of that metal. Therefore every additional dollar of silver which is put in circulation by Canada is a source of profit to our country. I mention that incidentally, though I do not think we should enter into an operation of that kind entirely for the profit. Nevertheless the costs we shall incur in the exportation of the silver will be met ten times over by the profit which Canada will make in the increased quantity of United States silver which will be replaced by our Canadian coinage. But when United States silver is used in the purchase of good Canadian products and thus helps to make a profit for Canadian citizens, we do not prohibit its circulation.

Mr. FOSTER. If it does not, you do.

Mr. FIELDING. We propose to make the arrangement for one year, and my impression is that at the end of the year the quantity of United States silver in Canada will be so small that there will be no great profit in continuing the arrangement. But if experience shows that as we export the silver, it will come back very quickly, we shall only have to provide for continuing the arrangement.

Mr. FOSTER. Has the hon. minister made any estimate of what amount of the United States currency is here ?

Mr. FIELDING. It is very difficult to estimate. The financial experts have very widely differing opinions on that point. I find that in the days of Sir Francis Hincks, the amount in circulation ran from \$4,000,000 to \$5,000,000. But we are satisfied that there is no such sum in circulation in Canada at present. The highest estimate of United States silver in circulation in Canada given by a financial authority for whose judgment we have respect is \$900,000. I ought to say that other financiers of excellent judgment think that this figure is too high. An estimate given us by one gentleman, whose name I do not care to mention, but whose opinion would command respect in this House, is that the amount is not more than \$500,000. It will easily be seen that when two eminent bankers with the same source of information reach

these widely different conclusions, it is exceedingly difficult to make an estimate.

Mr. FOSTER. Was \$900,000 the highest estimate received?

Mr. FIELDING. It was the highest estimate made by any of the few whom we have consulted. Other bankers may place the figures even higher. But the highest estimate given by any whom we consulted was \$900,000. The opinion which we are rather disposed to accept is that during the year the amount will not exceed \$500,000. Of course, there is room for very wide difference of opinion. At all events, whatever the amount may be, every person in Canada who has United States silver and does not wish to use it has only to go to the nearest bank and get Canadian silver for it. The Canadian banks will not re-issue that silver; but will, under arrangement with our department, send it abroad to the United States, and we will give them in return our Canadian silver. So, if, hereafter, there is any United States silver current in Canada, it will be because the Canadian people prefer to have it. If they do, we do not wish to interfere with their preference.

Mr. R. L. BORDEN. If you practically provide that United States silver can be redeemed at any bank in Canada, would not that rather have a tendency to increase the flow of it into this country?

Mr. FIELDING. I do not see that anybody will have any object in bringing the silver into Canada for the purpose of getting Canadian silver for it. I cannot see where it will be a source of profit. The intrinsic value of the silver is the same in both cases, and on our side there is practically no discount on United States silver. The hon. gentleman's question is a perfectly proper one, but I think that, on reflection, he will see that there is no inducement to parties to do as he suggests.

Now, I said in the earlier part of my remarks, that it would not be anticipated that there would be any extensive tariff changes this session, for the reason that it was well known that it was the policy of the government to have an inquiry into the tariff before extensive changes were made. That inquiry will be made by what is called a tariff commission, which is a committee, practically, of members of the cabinet. The advantages

of a public inquiry will be quite apparent. True, we have in our possession, as every Minister of Finance must have, a large amount of information bearing on the tariff, which accumulates from time to time. Generally speaking, that information is given to the Minister of Finance privately—I do not mean necessarily to say confidentially. An individual interested in some branch of industry waits upon the Finance Minister and delivers himself as to his needs with respect to the tariff, and probably furnishes a document showing what changes, in his opinion, ought to be made. Sometimes information of this kind is given by deputations waiting on the minister. In that way we have a considerable fund of information. There is a decided advantage in having a public inquiry, so that if there be two sides to any question, these two sides may be heard. It not infrequently happens that a manufacturer or producer comes and asks for something in regard to tariff changes which, when it becomes known to some other manufacturer or producer—not to mention the consumer—is regarded as objectionable, because of conflicting interests. There is a decided advantage therefore in having a public inquiry, so that the people who are interested in the tariff rates on one side or on the other, may know what representations are being made; and, if they see fit to do so, may come forward and present their views. We had an inquiry of that character, to a limited extent, in 1897. Unfortunately, we were very much pressed for time at that stage of our affairs, and we were not able to make that complete examination over the whole country that was desirable. We were not able to go west of Winnipeg. In all the principal cities of Ontario, Quebec and the maritime provinces and also in Winnipeg the commission held meetings and heard a great many people and received a vast amount of valuable information. Unfortunately we were obliged to return to Ottawa without going further west. That, of course, is something which we must avoid now. We must take care, in making the inquiry we are about to have, to hold meetings in all sections of the country, we must not fail to go out to that western country that we were not able to visit before. We shall, therefore, make it the business of the tariff commission:—to hold meetings in all the principal cities, possibly that “prin-

capital" is a hard word to define, for they all think they are the principal cities of their several sections. Certainly that inquiry should be held in the capital of every province, and, in some cases, in other cities as well. In a great province like Ontario or Quebec, of course, it will be necessary to have several meetings; and in some of the smaller provinces it may be necessary to hold meetings in several places. However that may be, and without binding ourselves to details, it will be the policy of the government to have that inquiry made throughout the Dominion with the utmost care, with a view, if possible, to have the tariff brought before the House in revised shape at the next session. It is impossible to guarantee that; but it is our hope and full expectation that the work can be accomplished in time for the next session of parliament.

As to the points at which the meetings will be held that will be made known in the same public way as in the former inquiry. Every organization, or for that matter, every individual who wishes to be heard will have ample opportunity. In one case, no doubt the manufacturers' organization will be ready to present their views; in another case the farmers' organization will make their representations. And so with the miners, the fishermen and others, as the case may be. Care will be taken to afford opportunity for every class who wish to present their views to come and state in what respect they think, either that the tariff is right and should be maintained, or that it is defective and what changes they believe should be made.

Mr. FOSTER. What is the personnel of the commission?

Mr. FIELDING. The Minister of Trade and Commerce (Sir Richard Cartwright), the Minister of Customs (Mr. Paterson), and the Minister of Finance (Mr. Fielding), made the last inquiry. We have not reached a conclusion as to the personnel of the coming commission. But naturally, it will be composed of the ministers who are associated with what I may call the revenue side of the government. We have not yet reached a conclusion on that point.

While the details of the tariff must necessarily be open for consideration, and while we are not in a position to make any statement whatever as to what will be the duty on any par-

ticular article, we are able to state now, by repeating what was said a year ago, the lines upon which we think the tariff revision should take place. Speaking last year upon this subject, I announced that it was the intention of the government to so change the tariff as to adopt what was known as the maximum and minimum system. I do not wish to say anything new on that subject. I will content myself with reading what I said a year ago, merely to remind the House of the matter. In the course of the budget speech last year I said:

We have to-day practically a maximum and a minimum tariff, if I may so describe it, and then we have the British preference below that again. It would be well that in the revision that may take place we should adopt that principle as it now exists and deal with it more in detail.

I think it would be well for us to have a maximum general tariff and a minimum general tariff, and the British preference below that as we have it to-day. The maximum tariff would only be applied to those countries which pursue, if I may so call it, a hostile policy. I do not mean to say that they have any hostility to us, but simply that in the carrying out of their own affairs they adopt a trade policy which discourages trade with us. In that case, they cannot complain if we have a maximum tariff, and though we should guard against having an extreme tariff, we would be justified in saying that this tariff should be materially higher than the tariff which we are prepared to extend to other countries which are willing to trade with us on fair and reasonable terms.

The minimum general tariff, which would correspond to the general tariff to-day, would apply to such countries as do not legislate commercially in a spirit of hostility to us—perhaps that is not happily expressed; let me say, to countries that adopt more moderate tariff views; low tariff countries. Of course where there are favoured-nation treaties in existence they have to be considered, but the principal nations which to-day adopt a high tariff policy have not any favoured-nation arrangement, and therefore I think our hands will be free in that respect. So, we would have a maximum tariff, as we have the German surtax to-day, to apply to such countries as do not manifest a disposition to trade with us. We should have a minimum general tariff to apply to countries that are disposed to trade with us, and then below that we would have the British preferential tariff to apply to the mother country and to such colonies of the empire as it may be expedient to extend the benefit of that tariff to. I think, sir, that on this line, guarding carefully against extortionate duties, but also making a distinction between the countries which wish to trade with us and the countries that do not wish to trade with us, we can devise a tariff which will be in all its details fairly satisfactory to the country.

That, Sir, was the statement which I made a year ago, and which the House and the country, it is not too much to say, have accepted. I do not need to enlarge upon it to-day, but

merely to say that the lines we then indicated we shall endeavour to follow in the revision of the tariff as now proposed. But though we do not propose any extensive tariff changes, there are one or two items that we do propose to deal with at once, because we have information that we think sufficient for the purpose. The items are not many, and they are not generally important, though no doubt each one is of some importance to the parties concerned. We propose to impose a duty on rolled oats of 60 cents per 100 pounds. That item is not specifically mentioned in the tariff now, it enters into a general classification with other things. We find that according to representations made to us, with the correctness of which we are satisfied, as the tariff now stands the duty on the raw material is actually higher than the duty on the finished article; therefore the change we propose will equalize the duties and remove that which the House will generally say would be an unjust discrimination.

Mr. FOSTER. Is that all it does?

Mr. FIELDING. That is all, it equalizes the duty. On the quantity of raw material it will even then equal the duty which will be levied on the finished article, and will only prevent the discrimination which now exists.

Mr. FOSTER. And if the oats are bought here?

Mr. FIELDING. Then of course it has no effect. But I am told that there has been a large increase in the importation of rolled oats, and our own mills have been idle because of this discrimination in the duties, and we are desirous of removing the discrimination.

There is another item to which I invite the attention of the House. The duty on dry white lead was placed in the 5 per cent list many years ago, at a time when there was no establishment in Canada producing that article. There has now been established in Montreal a very large factory.

Mr. R. L. BORDEN. What is the duty now?

Mr. FIELDING. It stands in the tariff at 5 per cent, at which it was placed many years ago at a time when it was considered almost a raw material, or what I might call a first pro-

cess of manufacture; and there being no establishment in Canada for the manufacture of that article, no attention was drawn to it, and it remained on the 5 per cent list. But a large establishment employing a great many men has been erected in Montreal and is in readiness to go into operation. I am not sure but it is in actual operation at this moment, for the manufacture of dry white lead, and we see no reason why that establishment should not have the same degree of incidental protection or tariff advantage which other industries receive. Therefore we say that in order that there may be no unfair discrimination against it, and that it may be put on terms of equality with other manufacturing industries we are dealing with, we propose to make the article of dry white lead 30 per cent, subject, of course, to British preference. This is connected, I may say, with the manufacture of lead in British Columbia. The House will remember that we have encouraged the lead industry out there by certain legislation. We are now producing pig lead in Canada, and the effect of this will be that the pig lead made in British Columbia will be brought down to Montreal, and, under a corroding process, will be manufactured into dry white lead. The increase of duty on this article which is, I may say, the raw material of paint manufactures, will involve an increase at present of the duty on what we call white lead ground in oil; and we propose to make that, instead of 25 per cent as it now stands, 35 per cent. As respects other paints, we take no action at present, but leave that matter to be inquired into by the commission. But under this change, this factory I refer to, will go into operation, and it will then only have about the same advantage which we give to other manufacturing industries in Canada.

We make a slight change in the duties on cement, not a very important one, though the parties interested may regard it as important. The duty on cement is now levied per 100 pounds, the weight of the package to be included in the weight for duty. British cement and Belgian cement are imported in casks and barrels the weight of which is very considerable, and on which the duty at present is levied. But where cement is brought in from the United States in bags, the weight of the

bag is so trifling that there is practically no duty on the package; but there is considerable duty on the package where the cement comes in casks or barrels from Britain or Belgium. In order to remove that discrimination we propose to put a tax of 25 per cent ad valorem on the bags which contain cement, which duty we think will equalize the conditions with respect to British and Belgian cement.

We propose a change with regard to the wines of South Africa. South Africa has given us the benefit of preferential trade. We are sending a considerable quantity of Canadian goods thither, but so far South Africa has not been able to send very much to us. The government of Cape Colony has represented to us that our preferential tariff, the preferential system which they have accepted, while it gives us an advantage out there, has so far not proved very useful to South Africa, because the things they have to sell are not purchased in Canada to a considerable extent. We, however, suggest that under this change they might be able to send us with advantage to themselves the light wines of Cape Colony and the sister African colonies. We admit the light wines of France at 25 cents per gallon. The wines of South Africa are somewhat stronger, and as our tariff is now arranged, would not come in at the same rate as the light wines of France. In view of the fact that we are sending a good deal to South Africa, and in view of the fact that we are desirous of encouraging reciprocal trade arrangements with our sister colonies, and as we desire to give them some opportunity to send their goods into Canada, we propose that the light wines of South Africa—not Cape Colony only, because, though the application comes from Cape Colony, we prefer to put it on a broader line—we propose that the light wines of the South African colonies forming the South African customs convention shall be admitted into Canada at the rate of 25 cents per gallon, the same rate as the light wines of France. How far this will encourage trade with South Africa, and how far it will substitute the wines of that country for the wines of other countries, is a question which the future will decide. But I think that as this suggestion has come to us from our brethren in South Africa, and as it will give them some benefit out of this preferential system, I think the House

generally will agree with me in extending that advantage to them.

Mr. FOSTER. Might I ask the Minister of Finance whether Australia does not manufacture wines of about the same strength, and if so, is it the intention to discriminate in favour of one colony against another?

Mr. FIELDING. At the present time, yes, because Australia does not give us the benefit of any preference, South Africa does give us the benefit; therefore my hon. friend will agree with me that this is a proper discrimination. The colony of New South Wales formerly had a preference with Canada, but after the Australian colonies were united into a commonwealth, of course their tariff conditions changed and our preference ceased. I may say that we all appreciate the desirability of having preferential trade with our brethren in Australia, and we have taken steps to let them know that we are quite willing to make a preferential arrangement with them. If they are willing to make such arrangements with us, the item of wines will be one of the matters within our offer. But for the present, inasmuch as Australia does not give us a preference and as South Africa does, we propose to extend this benefit to the South African colonies.

The item of settlers' effects is one that has given some trouble during the past year, owing to a rather forced interpretation which some parties have been trying to give to the exemptions which we allow. We provide that settlers' effects shall be admitted free. It may surprise the House to know that the contention has been raised that a contractor coming across from the United States with a large amount of apparatus as a construction plant, is entitled to bring that in as settlers' effects.

Mr. FOSTER. He is an alien labourer.

Mr. FIELDING. He might not be. Whether he be an alien labourer or not we do not think he should bring his contractor's outfit in as ordinary settlers' effects and bring it in free of duty. We propose to strike out the item of settlers' effects and re-enact it in very nearly the same terms, but with some changes so that it shall include the things which we all admit are properly settlers' effects, but that it shall not admit

free of duty articles destined for sale in Canada or such things as contractors' outfits.

There is a provision in our Act for the temporary admission of machinery for the manufacture of sugar from the beet root, and there is also a provision for the admission of machinery of a class or kind not made in Canada to be used exclusively in alluvial gold mining. It has been represented to us that this latter item is of the greatest importance to certain sections of our country, and notably to the Yukon, and that by extending this for a further period we would assist in the development of the Yukon. We propose therefore that both these concessions shall be continued until July 6th, 1906.

There is one other item which calls for remarks. In the last budget statement we proposed a change in the duties on British West India molasses, which was placed on the free list with the condition that it must come by direct vessel. It has been represented to us that that works a hardship on our sister colony of Newfoundland. Newfoundland sends out ships laden with fish to the West Indies which bring back molasses destined usually for the Newfoundland market, but whenever there is a surplus of that for the Newfoundland market, the Newfoundlanders desire to send it to Canada, and it usually comes in by Halifax or St. John or other ports. Under the reading of our tariff as it now stands that would not be treated as a direct importation. We think it would be unreasonable to take an extreme view of this matter, having regard to the trade we already have with Newfoundland and having regard also to our desires to have the most friendly relations with our sister colony and the hope that some day she may see fit to join her fortunes with ours. We think under these circumstances that any suggestion Newfoundland may make with a view to improve our trade relations should be met in a good spirit, and we propose to amend that clause as to make it clear that molasses imported from any British country, although it passes through the colony of Newfoundland, when in the original package, shall be deemed to be imported direct and shall be entitled to free admission.

These, Sir, are all the tariff changes which I have to announce to the House.

Mr. BERGERON. Is there anything with reference to cotton ?

Mr. FIELDING. Cotton ? My hon. friend has not been reading some of the cotton reports in the press.

Mr. BERGERON. I am asking my hon. friend if he makes any change ?

Mr. FIELDING. There is nothing. Many representations have been made to us of course with reference to various tariff items. We have dealt with some of these as to which we are reasonably satisfied our sources of information are complete. As respects the others we think it will not be too much to ask them to wait until the meeting of the Tariff Commission when all these things will be looked into with the utmost care, and with a single eye to trying to do what is best for the interests of the country generally.

In conclusion, we may all, I am sure, be proud of the great progress that Canada has made in the past and we can be no less proud that the conditions to-day are of the most hopeful character. I do not think that business is quite as keenly active to-day as it was a year or two ago. It will be correct to say that there is perhaps a larger degree of caution amongst our business men than there was, but that on the whole the condition is wholesome. Our industrial concerns as a rule are in good shape. There may be a few exceptions, as to which we have to make inquiries and see whether or not their difficulties are caused by the tariff, but speaking of the conditions of the country generally they are exceedingly satisfactory, as I think hon. gentlemen on both sides will appreciate. The outlook in every respect then is hopeful. The reports of the present condition of our crops in all parts of the Dominion are of the most encouraging character, and we have every reason to have great hope and great faith in the results of the present year's farm operations. From all parts of the country the crop reports are even more than usually favourable, and I think our industrial condition in the main is good. With every prospect of an abundant harvest on land and sea, with our industrial establishments fairly well occupied, with immigration flowing into the country as it is, with the eyes of the world centred upon Canada

as never before perhaps to the same extent, with the record of the past, with the outlook for the future, there is no reason why every Canadian should not feel the utmost confidence in the future of the Dominion.

With regard to immigration in the Northwest, to that country to which so much attention is now given, I am sure it must be a source of gratification that the flow of immigration is large and continuous. I am aware that there is some discussion, perhaps a legitimate criticism, as to whether indeed we are getting too many people into that country, and as to whether or not there should not be greater discrimination. However that may be I will say that—and I am sure on reflection hon. gentlemen on both sides of the House will have the same feeling—I have an abiding faith in the great powers of Canada and its institutions to receive and to absorb and to assimilate these people of all nationalities and make them instruments for the working out of a great future for the country. Nevertheless I appreciate the view which prevails, I believe, on both sides of the House that we should be particularly anxious to bring into that country a larger percentage of British immigrants. We are hopeful and have faith in the ability of the country to absorb the foreigner, but strong as our faith of that kind is it should not prevent our putting forth special efforts to bring into the country immigrants who are from our motherland. I am sure that in expressing that opinion I am but echoing the view of my hon. friend the Minister of the Interior (Mr. Oliver), who in entering upon his new office, full of promise of great future usefulness in his administration of that territory will, I am confident, take that view, put forth every effort that is possible on his part in order that we may build up that country and make it what we all hope it will be, a populous and prosperous part of the great Dominion.

When the House resolves itself into Committee of Ways and Means I shall move the following resolutions :—

1. That it is expedient to amend the Customs Tariff, 1897, as amended by subsequent Acts, to the following effect :—

Schedule 'A' is amended as follows :—

Item 158—Strike out the words 'dry white and'

The following items to be inserted :—

8. (a) Wines of all kinds, except sparkling wines, containing not more than forty per cent of spirits of the strength of proof, whether imported in wood or in bottles (six-quart or twelve-pint bottles to be held to contain a gallon), when the produce or manufacture of any British colony or territory in the South African Customs Union Convention, twenty-five cents per gallon.

50. (a) Rolled oats, six-tenths of a cent per pound.

158. (a) Dry white lead, thirty per cent ad valorem.

158. (b) White lead ground in oil, thirty-five per cent ad valorem.

Item 187 is repealed and the following substituted :—

187. Cement, Portland and hydraulic or water lime, in barrels or casks, the weight of the package to be included in the weight for duty, twelve and one-half cents per hundred pounds ; in bags, twelve and one-half cents per one hundred pounds together with twenty-five per cent ad valorem on the bag.

Schedule 'B' is amended by repealing item 455 and substituting the following :—

455. Settlers' effects, viz., Wearing apparel, books, usual and reasonable household furniture and other household effects ; instruments, and tools of trade, occupation or employment, guns, musical instruments, domestic sewing machines, typewriters, bicycles, carts, wagons and other highway vehicles, agricultural implements and live stock for the farm, not to include live stock or articles for sale, or for use as a contractor's outfit, nor vehicles nor implements moved by mechanical power, nor machinery for use in any manufacturing establishment ; all the foregoing if actually owned abroad by the settler for at least six months before his removal to Canada and subject to regulations by the Minister of Customs : provided that any dutiable articles entered as settlers' effects may not be so entered unless brought by the settler on his first arrival, and shall not be sold or otherwise disposed of without payment of duty until after twelve months actual use in Canada.

2. The exemption from duty of machinery and structural iron and steel for the construction and equipment of factories for the manufacture of sugar from beet root, authorized by section 11 of chapter 11 of the Acts of 1904, is extended from April 1, 1905, to June 30, 1906.

3. The exemption from duty of machinery and appliances of a kind not made in Canada for use exclusively in alluvial gold mining, authorized by section 12 of the said chapter, is extended from July 1, 1905, to June 30, 1906.

4. Section 18 of the said chapter is amended by inserting after the word 'production' in the fourth line the words 'or from any British country.'

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BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, MAY 22

1906



OTTAWA

PRINTED BY S. E. DAWSON, PRINTER TO THE KING'S MOST
EXCELLENT MAJESTY

1906

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BUDGET SPEECH

DELIVERED BY

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MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, MAY 22, 1906

WAYS AND MEANS—THE BUDGET.

Hon. W. S. FIELDING (Minister of Finance) rose to move that the House go into committee to consider of the ways and means for raising the supply to be granted to His Majesty. He said: Mr. Speaker, in presenting for the tenth time to this House the annual statement of the financial affairs of the Dominion, I am sure that all the hon. members will rejoice with me that we can congratulate ourselves upon the continuance of that remarkable prosperity with which Canada has been blessed by a kind Providence for a very long period of years. In accordance with the custom of the budget speech, I shall find it necessary to refer to the financial affairs of three fiscal periods. First, we have to consider the affairs of the financial year 1904-05, which terminated on the 30th of June last; next we have to consider the affairs of the financial year now current, which will terminate on the 30th of June next; and then we may have to consider very briefly the affairs of the next financial year, or, to be more exact, the next financial period, which, in consequence of our proposed change of the fiscal year, will be a period of nine months, beginning on the first day of July next and ending on the 31st of March of the following year.

FISCAL YEAR 1904-5—REVENUE.

With regard to the affairs of the last financial year, the accounts have been in possession of the House for a considerable period and do not call for any very extended remarks. In one or two respects the outturn of the year was materially different from my own expectations. The revenue of the year was substantially the same as my anticipation, falling short by only a

few thousand dollars. The customs revenue showed an increase over the previous year of \$731,000, and in that year reached a figure more than double what the total customs revenue was only eight years ago. The post office revenue increased to the extent of \$473,000. The railway revenue increased by \$423,000. Against these increases there were several decreases. In the general classification of our services, the excise revenue showed a decrease of \$372,000; the Dominion lands showed a decrease of \$150,000, due chiefly to the falling off in the business of the Yukon, and in miscellaneous revenue there was a decrease of \$592,000. Notwithstanding these decreases, however, taking the whole revenue for the year there was an increase of \$512,955.85. This was a fairly satisfactory revenue. The increase was not so large as in former years, when it was going forwards by leaps and bounds, and the increase of each year was counted by millions; but on the whole it was not an unsatisfactory year. It would be correct to state that the year 1904-05, both with respect to its revenue and its trade, was a period of rest, when the country was apparently taking breath and preparing for the larger expansion which was close at hand.

FISCAL YEAR 1904-5—EXPENDITURE.

So far as the expenditure of the year is concerned, the result was not so satisfactory. There was a considerable increase in the expenditure beyond the amount which I anticipated when I made the budget speech. Having regard to the late date at which the budget speech was made last year, we might naturally have expected that we would approximate more nearly than usually to the outturn of the year. As a matter of fact, the fiscal year had closed a few days before the budget speech was delivered; but the close of the fiscal year and the close of the accounts of the fiscal year are two very different things. In Great Britain the fiscal year closes on the 31st of March, and the accounts close immediately; all balances lapse, and the new year begins with the appropriations for the year. That is quite possible in a country like Great Britain, with a comparatively small area, a dense population, and means of communications by railway, telegraph and telephone, which are of course beyond the means of communication in a country of such vast extent as the Dominion of Canada. It was therefore necessary to allow a certain period after the close of the fiscal year for the closing of the accounts. As a matter of fact, after the close

of the fiscal year 1904-05 no less than \$17,000,000 came into the accounts between that time and the period allowed by the regulations for the closing of the accounts. The payments made between the closing of the fiscal year and the closing of the accounts last year were more than the total expenditures of the Dominion for several years immediately following the beginning of the union. While, therefore, it might seem, in view of the budget speech having been delivered at so late a date, that we should have come more closely than we did to the out-turn, the fact is that, so far as the revenue is concerned, the results were about as anticipated, while the expenditure, both on consolidated account and on capital account, was considerably larger; so that the surplus was somewhat less than I had anticipated, and while we had hoped to close the year with a very moderate increase of the public debt, the close of the year showed an increase of the debt amounting to some \$5,000,000. But while the year was a less satisfactory one in that respect than we had hoped for, it was, as I have said, as respects its trade and finances generally, on the whole a satisfactory year, and only suffers by comparison with years preceding it, which were years of marked advance. It is worth remembering that now we are dealing in the budget of Canada with vast sums of money, much larger than those of former years, and it cannot be expected that our estimates will approach very closely to the actual expenditure.

FISCAL YEAR 1904-5—SURPLUS.

The result is that the surplus of the year, instead of being \$9,000,000 as I had anticipated, was \$7,863,089.81, a surplus in itself very satisfactory, and larger than the average surplus which this government has enjoyed during its term of office. The question of the surplus is always an interesting one, and so I have prepared a statement showing the surplus of each year from the time the present government assumed office down to the present date:

	Surplus.	Deficit.
1896-7.. . . .		\$519,981 44
1897-8.. . . .	\$ 1,722,712 33	
1898-9.. . . .	4,837,749 00	
1899-1900.. . . .	8,054,714 51	
1900-1.. . . .	5,648,333 29	
1901-2.. . . .	7,291,398 06	
1902-3.. . . .	14,345,166 17	
1903-4.. . . .	15,056,984 12	
1904-5.. . . .	7,863,089 81	

Taking the total surpluses for all these years, with the one deficit, we find that for the nine years there was a net surplus of \$64,300,165.85. That would give us an average surplus of \$7,144,462.97.

BOUNTIES AND THE SURPLUS.

A question is sometimes raised in the House and outside with regard to the manner of preparing this statement of surpluses in comparison with the statements in former years. I have pointed out more than once, and need only say briefly now, that the only point of difference between our manner of preparing this statement and the manner of our predecessors is with relation to the manner in which the bounties on iron and steel and other things are accounted for. In former years they were treated as drawbacks from the customs account. It seemed to us that there could be no drawback where there was no money paid; we did not like the system and we changed it. We thought it wise, as these bounties were considered to be but temporary expedients, that they should be charged to a special account, and so they have appeared in this special account ever since. It is not strictly a capital account; these items stand in the same position as a railway subsidy. It is sometimes contended that we should not have done that, and that these are proper charges against the income of the year. I shall not stop to debate whether or not that view is correct, but I put the point as I have done before, clearly before the House, and say that if it be deemed expedient to take that view, if it be considered proper that these bounties should be treated in that way, should have been charged up against the income for the year, then instead of having for the nine years an average surplus of \$7,144,000, the result would be that we would say we had an average surplus of \$6,526,233, and so it will be seen that even if we attached any importance to that criticism which is sometimes offered, in the result of the nine years' operations it does not make any extensive difference in the general statement of the surpluses of that period.

FISCAL YEAR 1905-6—ESTIMATE OF OUTTURN.

Coming now to the affairs of the fiscal year 1905-06, I estimate a revenue of \$79,000,000. The revenue for 1904-05 was \$71,182,772, so it will appear that I am estimating for an increase in revenue of \$7,800,000.

The estimated expenditure for the current year, chargeable to consolidated fund, I place for the present at \$66,500,000.

The expenditure of a similar character last year, 1904-05, was \$63,319,682, so it will appear I am estimating for an increase in the expenditure chargeable to consolidated fund this year of \$3,180,000.

I would have you observe, Sir, that I am estimating for an increase of revenue to the extent of \$7,800,000 and an increase in expenditure chargeable to consolidated fund of only \$3,180,000, an estimate which, if realized, will give us a considerable sum to be made available to assist the capital account.

With regard to the probable surplus of the current year, we have an estimated revenue, as I have stated, of \$79,000,000 and an estimated consolidated fund expenditure of \$66,500,000, and if these expectations be realized we shall close this year with a surplus of \$12,500,000. This will be one of the largest surpluses in the history of Canada. I think I am correct in stating that in only two preceding years, and that in our own time, has such a large surplus been shown on the year's operations.

With regard to capital expenditure for the current year, I estimate that it will reach \$15,500,000, which is practically the same amount as the expenditure of like character last year, that expenditure being \$15,484,000.

Having an estimated expenditure then on consolidated fund of \$66,500,000 and an estimated expenditure on capital account of \$15,500,000, this will make a probable total expenditure for the current year of close on \$82,000,000.

Mr. R. L. BORDEN. Bounties are included?

Mr. FIELDING. Everything, the bounties are charged in what is called capital and special account.

If we take from that the estimated revenue of \$79,000,000 and the available sinking funds of \$2,200,000, making a total deduction of \$81,200,000, we shall have a total addition to our net debt in the current year of \$800,000. I am hopeful that the result will be more favourable; I am hopeful that the expansion of trade will be such that the revenue will go somewhat beyond the \$79,000,000, and that we may close the year by squaring the account, that our receipts will cover our expenditures of all classes, and that we shall add nothing whatever to the public debt. However, it is well to be in that respect conservative, especially as my estimates in this way last year were

somewhat disappointing, and I prefer to have them on a conservative basis. From the figures I have given there may be a possible addition to the net debt at the close of the year of about \$800,000.

FISCAL PERIOD 1906-7.

Coming to the period of 1906-07, for the nine months, it is difficult to make any general estimate; we can only draw attention to the figures presented by way of estimates. The main estimates have already been submitted to the House, and they amount on consolidated fund account to \$51,594,532.72. There are capital account estimates amounting to \$16,342,015, of which \$10,000,000 is for the National Transcontinental Railway. To this must be added at a later period in the present session supplementary estimates as usual. I am not prepared to state what they will be, but I think I can assure the House they will not be excessive.

Mr. FOSTER. About what will they be?

Mr. FIELDING. Something over \$2,000,000, I think, for consolidated fund, but the estimates are in course of preparation, and, as my hon. friend (Mr. Foster) knows from his own experience, it is difficult to give more than an approximate statement in such a case. And then at or near the close of the fiscal year there is usually submitted a further supplementary estimate to wind up the affairs of the year. So that in any estimate we attempt to make, we shall have to take in these additional estimates which will have to come down in due course.

With regard to our possible revenue for the period of nine months, perhaps the safest way is to take the revenue for the corresponding period in the current year. Our revenue for the corresponding nine months of the current year (July 1, 1905, to March 31, 1906), amounted to \$57,015,562.68. We shall have in the coming fiscal period a revision of our tariff, and the effect that revision may have on the finances of the year is, as hon. gentlemen understand, difficult indeed to predict. I do not care to say more than that. I do not expect that these tariff changes, which it is hoped will be brought on at the autumn session, will have any disturbing effect on the public revenue, and if business continues good we can at least expect to have as much revenue in the nine months as in the nine months of this year. I should feel hopeful that business would increase and we would do better than that. I think it will be

found, if these expectations are correct, that within that period of nine months we shall have a sufficient revenue to meet all our consolidated fund expenditure and leave a material surplus, proportionate probably to the average surplus of recent years, and that that surplus will go to the diminution of what would otherwise be an addition to the public debt. I do not feel justified, at present, in going very fully into the affairs of the future period, but I see no reason why, with a reasonable expansion of trade, we should not have as prosperous a period as we have had in recent years for the full period of the twelve months.

INTERCOLONIAL RAILWAY—IMPROVEMENT IN ITS FINANCIAL AFFAIRS.

So much attention has been given to the affairs of the Intercolonial Railway—especially the financial affairs of that road—that the House, I am sure, will be pleased to have a statement of the operations of the road for the expired portion of the present year in comparison with previous years. It is well known—almost too well known—by the House that, for several years, the Intercolonial Railway has not had a very favourable balance sheet. In 1904, the road showed a deficiency of \$900,000, and in 1905 the deficiency on the year's operations was \$1,725,000. I have here a statement of the operations of the road for the ten months ending April 30 last, from which I find that the revenue for that period was \$6,265,218.14, and the working expenses \$6,380,923.92, showing a deficiency this year, on the ten months' operations, of \$115,705.78. I do not know whether my hon. friend the Minister of Railways (Mr. Emmerson) will be able to keep up that gait until the end of the year, but, if he is able to do so, it will certainly make a great change in the finances of the railway. Let us hope—especially those of us who are from the lower provinces, and interested in the road more, perhaps, than the average of men—that my hon. friend, in his anxiety to make a good financial statement, will not overdo the business, and fail to give us the liberal train arrangements and reasonable facilities that the people expect from the Intercolonial Railway.

POST OFFICE SURPLUS.

The Post Office Department is one to which I wish to call attention, and it is one, I am glad to say, whose financial statement is of the most gratifying character. The prosperous conditions established by the former Postmaster General, Sir William

Mulock, have been continued by his successor, the present Postmaster General (Mr. Aylesworth), who is likely to be able to make even a more favourable statement than his predecessor. The Post Office surplus for 1904-05 was \$490,844.89—close upon half a million dollars. If the present Postmaster General could but repeat that operation for the present year, that in itself would be a very gratifying result, and one with respect to which he need not fear comparisons in the future as to his first year's operations as the head of the Post Office. But the figures I have obtained from that department go to show that my hon. friend (Mr. Aylesworth) will have a much better statement than that. I suppose the prosperity of the Post Office Department may fairly be taken as a barometer indicating prosperity throughout the country generally. At all events, my hon. friend is able to hand me this very gratifying statement for the nine months of the current year, ending 31st March last. In the other statements I have presented, I have been able to bring the figures down to a later date, but the Post Office accounts are adjusted quarterly, and it has not been found convenient to compile a statement covering figures later than the 31st of March. For the nine months ending 31st March there is a surplus of \$747,880; and my hon. friend the Postmaster General assured me that, upon careful calculation, he hopes to be able to close the year with a surplus for the Post Office Department of \$900,000. We cannot help contrasting for the moment—not in a party sense, for everybody in the House, I am sure, will join me in congratulating the country upon the happy comparison—we cannot help contrasting the financial condition of the Post Office with that of a few years ago. It is but a few years since Canada had a three-cent domestic letter rate, and a five-cent rate on letters to Great Britain; and yet, even with these heavy postal rates, the Post Office Department absorbed all the revenue it could collect and, at the close of the year, some \$600,000 or \$700,000 was usually required from the public treasury to make good the deficiency and keep the Post Office running. We have no longer a three-cent rate; Canada has penny postage within her own borders, and penny postage with the mother country. The Post Office Department no longer absorbs all its own revenue, no longer calls for \$600,000 or \$700,000 from the treasury. After affording the people a very liberal postal service, after giving reduced rates, after establishing the blessing—for it is not too much to speak of it so—of penny postage, the Postmaster General comes,

at the close of the year, asking nothing from the public treasury, but tendering the splendid sum of \$900,000 to assist the other public services of the country. Again, I hope that my hon. friend the Postmaster General will not become purse-proud. I do not think the country is dreadfully anxious to make a surplus out of the Post Office. I think, and especially in view of the heavy cost of the Post Office Department in previous years, that there will be a general feeling that, if the Post Office can be sustained with a moderate balance on the right side, that is all that the country will desire or expect. Therefore, I hope he will not gloat too much over his surplus, but will give attention to the extension of the postal facilities of the country, so that the people may reap the benefit in that way.

TRADE OF 1904-5.

While the trade statistics for the year 1904-05 show that the trade of Canada was maintained at a very high level during that year, there was no expansion as compared with the previous year, but, on the contrary, a slight falling off in the gross figures. The total trade for the year 1904-05, as appears from the report of the Minister of Customs (Mr. Paterson), was \$470,151,289, as compared with \$472,733,038 for the year 1903-04, and \$467,064,685 for the year 1902-03. The figures for 1904-05 show an increase in the imports of merchandise of over \$5,000,000, and a decrease in the exports of merchandise of \$7,500,000. The chief falling off in the exports of home produce was in the products of the mine and in agricultural products, the former to the extent of \$1,600,000 and the latter \$7,100,000. There was likewise a decline in the foreign produce exported to the extent of two million dollars. As I ventured to observe in the earlier part of my remarks, the year 1904-05 might be regarded as a period of rest, when the country was enjoying a breathing spell, and getting ready for the greater expansion which is close upon us. If the results of trade in the year were not entirely satisfactory—though it is not right to say that, for, compared with all but recent years, the statement was a very satisfactory one indeed, though it certainly suffers by comparison with one or two years when our expansion of trade was little less than marvellous—if there was a breathing spell in 1904-05, there is every reason to believe that the expansion we desired is now taking place. I have before me a statement of the trade for the past ten months, ending April 30th.

TRADE OF 1905-6.

While the statistics relating to our import and export trade of 1904-05 do not indicate any expansion, the returns of our trade up to the 1st May last are of a very gratifying character, as will appear from the following statement:

	IMPORTS ENTERED FOR CONSUMPTION.	
	Ten months to May 1, 1905.	Ten months to May 1, 1906.
	\$	\$
Dutiable.. .. .	120,673,298	138,344,074
Free Goods.....	79,304,078	86,913,502
The Mine Total.....	199,977,376	225,257,576
Coin and bullion.....	9,574,439	5,087,681
Grand total.....	209,551,815	230,345,257

Coming now to the exports, a branch of business which to many in the House is perhaps more interesting than the other, I find the following results:

TOTAL EXPORTS.

	10 months ending April 30, 1905.		10 months ending April 30, 1906.	
	Domestic.	Foreign.	Domestic.	Foreign.
	\$	\$	\$	\$
The Mine.....	24,622,986	225,089	27,490,993	168,336
" Fisheries.....	8,882,788	14,942	13,168,905	16,533
" Forest.....	24,802,682	109,097	28,537,996	79,367
Animals and their produce....	53,082,323	521,543	56,645,364	583,759
Agriculture.....	25,709,620	2,580,520	44,102,260	4,662,679
Manufactures.....	16,811,351	2,809,535	19,748,497	2,310,115
Miscellaneous.....	29,653	1,513,643	63,142	616,796
Total mdse.....	153,941,403	7,774,369	189,757,157	8,437,585
Coin and Bullion.....		673,825		7,202,956
Total exports.....	153,941,403	8,448,194	189,757,157	15,640,541

Total exports, 10 months, 1904-5, \$162,389,597.

" " 1905-6, 205,397,698.

Customs Revenue, 10 months, 1904-5, \$33,747,857.

" " 1905-6, 37,507,464.

STATISTICS OF CANADA'S PROGRESS.

I have designed to avoid burdening the present budget speech with any elaborate statistics for several reasons. But I think it is desirable to present a few striking facts of ten year periods

whereby we can get a comprehensive glimpse of the great progress Canada has made during the past few years. To that end I present the following tables:

Miscellaneous statistics illustrating progress of Canada since 1875 :
Total Imports.

1875.. . . . .	..\$123,070,283
1885..	108,941,486
1895..	110,781,682
1905..	266,834,417

Total Exports.

1875.. . . . .	..\$ 77,886,979
1885..	89,238,361
1895..	113,638,803
1905..	203,316,872

Total Trade.

1875.. . . . .	..\$200,957,262
1885..	198,179,847
1895..	224,420,485
1905..	470,151,289

Deposits in Chartered Banks, 30th June.

1875.. . . . .	..\$ 61,094,860
1885..	95,030,429
1895..	182,688,227
1905..	468,571,648

Discounts—Chartered Banks, 30th June.

1875.. . . . .	..\$136,771,679
1885..	162,847,002
1895..	224,627,632
1905..	480,906,934

Overdue bank debts 30th June, 1895.. \$2,366,964

Overdue bank debts 30th June, 1905.. 1,689,487

Notes of Chartered Banks in Circulation, 31st October.

1875.. . . . .	..\$ 25,599,831
1885..	34,576,246
1895..	34,671,928
1905..	76,890,863

Dominion Notes in Circulation, 31st October.

1875.. . . . .	..\$ 11,119,485
1885..	18,072,355
1895..	22,893,259
1905..	51,144,312

Miles of Railway in Operation, 30th June.

	Miles.
1875..	4,804
1885..	10,773
1895..	14,977
1905..	20,487

Railway Traffic—Tons Carried.

1875.. . . . .	..No return.
1885..	14,650,371
1895..	21,524,431
1905..	50,893,957

But, Sir, I should not dispose of these statistics without saying something regarding our revenue and expenditure, and making comparisons in the same way:

Consolidated Fund Revenue.

1875..	\$24,648,715
1885..	32,797,001
1895..	33,978,129
1905..	71,182,772

Consolidated Fund Expenditure.

1875..	\$23,713,071
1885..	35,037,060
1895..	38,132,005
1905..	63,319,682

Total disbursements of all kinds.

1875..	\$32,888,910
1885..	49,163,077
1895..	42,872,338
1905..	78,804,138

Now, these figures show the enormous increase in our public expenditure, and sometimes that is made a subject of criticism more or less friendly, but sometimes adverse. We admit that there has been a great growth in the expenditure of the country, but we think that to some extent that expenditure has something to do with the great progress of the country. We do not mean to say that every dollar operates directly in the progress of the country, though indirectly it contributes. But in the main, the large public expenditure made under the administration of the present government has undoubtedly been one of the factors which have assisted in the development of the country, and we are able to point to statistics to show that if the expenditure of the country has increased, it has only been keeping pace with the expansion of our resources.

RELATION OF EXPENDITURE TO GENERAL PROGRESS.

Let me point out that the total disbursements of all kinds increased from \$42,872,338 in 1895 to \$78,804,138 in 1905. This represents an increase of \$35,931,800 in the period, or about 83 $\frac{3}{4}$ per cent, a very large figure, I frankly admit. But during the same period the increases in the following business features were as follows:

	Per cent.
Total trade..	109 $\frac{1}{2}$
Consolidated fund revenue..	109 $\frac{1}{2}$
Deposits in chartered banks..	156
Discounts to the public by chartered banks..	114
Tons carried by railways..	136

With these figures before me, I may fairly claim that, large as has been the increase in the public expenditure of Canada, it is an increase which has been necessary in order to assist in the development of the country, and the figures I have been able to show as to the expansion of trade, the increase in the banking business, the increase in the railways, all these items prove that the expenditure of the country has not increased beyond a reasonable amount, having regard to its expansion and development.

THE PUBLIC DEBT AND DEBT PER CAPITA.

The expansion of our expenditure and the question of our net debt are always necessarily associated. We think that the results of our policy in that respect are such as ought to commend themselves to the House and the country. It is not to be expected that in a country like Canada we can avoid additions to the public debt. On several occasions when it has been my happy privilege to present to the House the financial statement of the country's affairs, I have felt it my duty to warn the House that in a country like Canada, with such a vast territory, with so much to do, with so many avenues opening for development, it was not to be expected that our affairs could be carried on without some addition to the public debt.

And so at the present time, even if we had to show a large increase in the debt, I would not regard it as anything for which we need offer an apology. But, we shall be able to show, I think, that our additions to the public debt have not been excessive. Indeed, having regard to the work that has been done, I think that our additions to the public debt will be shown to have been very moderate. Reductions of the public debt are, however, not usual. Only on one or two occasions has it been my pleasant privilege to refer to such reductions. There were only two occasions in the previous history of the country upon which there was a reduction of the debt. In the year 1871 there was a reduction of \$503,224. In 1882 there was a reduction amounting to \$1,734,129. These two reductions amount to \$2,237,353. We have been more fortunate in that respect. In three years out of our nine we have had reductions of the public debt amounting to \$11,741,009. The net increase of the public debt of Canada during the nine years down to June 30, 1905, was \$7,726,732. Now, this, under any circumstances,

would be but a very moderate increase, but considering all that has been done throughout the country in the meantime, I think the surprise will be, not that we have that increase, but that the increase is not much larger. Not only have we been able to provide for large and liberal expenditures under what is commonly called consolidated fund account, but we have been able to provide for large and liberal expenditures in the way of capital and special account. During the nine years of this government, besides providing for the ordinary affairs of government which are embraced within consolidated fund account, we have spent no less than \$97,015,325 chargeable to capital or special account over and above the ordinary expenditure, and yet in that whole period we have only added \$7,726,732 to the public debt of this country.

	Capital Expenditure and other special charges.	Increase or Decrease of Debt.
	\$	\$
1897.....	4,622,996	+ 3,041,163
1898.....	6,501,755	+ 2,417,802
1899.....	9,639,134	+ 2,317,047
1900.....	9,742,187	- 779,639
1901.....	11,116,498	+ 2,986,196
1902.....	13,211,407	+ 3,349,085
1903.....	10,054,679	- 10,222,100
1904.....	16,642,214	- 739,270
1905.....	15,484,455	+ 5,356,448
	97,015,325	7,726,732

I have had a statement prepared by one of my officers in regard to the net debt of the country in proportion to the population. Of course, the question of the burden of our public debt must always be measured by the population which has to bear it. I have the statement of the population in each year and the statement of the net debt, showing what it is per head. Beginning with 1895 it showed a net debt of \$50.07 per head, and without reading all the intervening figures I come down to 1905. We had, according to this statement, a population of 5,616,969 and a net debt of \$266,224,166, which would be equivalent to a per capita net debt of \$47.39. If this be a correct statement of the situation, it would show that there has been a reduction of the net debt per head from \$50.61 in 1896

to \$47.39 in 1905, a reduction of \$3.22 per head in the net debt of Canada at the close of the last fiscal year.

Mr. FOSTER. What is your estimate of population?

Mr. FIELDING. I am going to correct this estimate, but I will give it to my hon. friend as I gave it—5,616,969. I have presented this estimate of population as obtained from the Department of Agriculture based upon mathematical calculation which they have been in the habit of making from year to year upon the ratio of increase as it is disclosed in the population as shown in the last census. It is the method whereby they make this statement from year to year. They have this mathematical rule, and whatever it works out they present to us as the statement of the population, but at the same time I will say that it is not a fair statement. If we take the population of 1901, which was set down at 5,384,745, and the population as set down in this statement in 1905, at 5,616,969, we shall find that this only allows for a total increase of 232,000 in four years. But at the same time our returns from the Department of the Interior show that we have received 472,000 immigrants into the country; so that, if we simply take the population of 1901, as shown by the census of that date, and if we add our 472,000 immigrants, that would give us a population of 5,857,084 on the 30th of June last without allowing anything for the natural increase of population. I am sure that hon. gentlemen on both sides will agree with me when I say that if we had in 1901 5,384,745 people, and if in four years we have brought in immigrants to the number of 472,000, making 5,857,084, and if we make a reasonable allowance for the natural increase of population in Canada, it is but a moderate and modest calculation to say that on the 30th June last we had in this Dominion of Canada not less than 6,000,000 souls. I know that there are some officials of the government who have gone into this matter, too, who will think that I am understating the figures of the population. They will think, and they will be able to show by fair methods of calculation, that the population of Canada on that date was somewhat larger, but I think it would be safe to say, and I hardly think it is a matter of dispute, that on the 30th June last the population of Canada was not less than 6,000,000 people.

Mr. FOSTER. Not including the Indians?

Mr. FIELDING. Yes, my hon. friend the Minister of Agriculture (Mr. Fisher) says that includes Indians. That is

the usual method of computation. If we take a population of 6,000,000 people on that date and take the net debt as it appears in the public accounts we shall find that the net debt per head on that date was not \$47.39 but \$44.37, a lower figure than that at which it has stood in the accounts of Canada at any time during the last twenty years.

Making this correction the following statement shows the amount of the debt at the close of each fiscal year since 1895 together with the extent of it per head of population:—

	Population.	Net Debt.	Per Capita.
		\$	\$ cts.
1895.	5,054,285	253,074,927	50 07
1896.	5,107,918	258,497,432	50 61
1897.	5,162,121	261,538,596	50 66
1898.	5,216,899	263,956,398	50 60
1899.	5,272,258	266,273,446	50 50
1900.	5,328,205	265,493,806	49 83
1901.	5,384,745	268,480,003	49 86
1902.	5,441,885	271,829,089	49 95
1903.	5,499,632	261,606,988	47 57
1904.	5,557,991	260,867,718	46 94
1905.	6,000,000	266,224,166	44 37

PUBLIC LOANS.

In the matter of public loans this government has been remarkably fortunate. We have seldom had occasion to go upon the public market. Almost all of my predecessors have been obliged—properly obliged—to go somewhat frequently upon the public market for loans. This government has only issued one public loan during the nine years to which I have referred. In 1897 we issued a comparatively small loan of £2,000,000. We made a new record for Canada at that time. The psychological moment was chosen happily for the issuing of the loan. We were able to place a two and a half per cent loan on the money market at a price which yielded a very satisfactory result, the cost being 2·86 interest. It is but fair to say that there has been no moment since then at which we could have repeated that transaction. No other colony has attempted to issue a two and a half per cent loan and Canada herself would not have been able to have done it. We did seem to be exceedingly lucky in selecting the moment at which that amount was placed upon the market. In more recent years the condition of the money market has been less favourable. Many things, chiefly the great wars, have had to do with it. The

tremendous expansion in industrial life throughout the world has created a demand for capital and the supply of capital has not always been equal to the demand. Of course, money can always be obtained by good borrowers if they are willing to pay enough for it, but in view of the great demand for money for some years past there is a strong disinclination on the part of investors to purchase the higher grade of securities—securities which will only yield two and a half or three per cent. They have so many opportunities of investing their money at higher rates that they are not disposed to buy stocks yielding the lower returns. We have had evidence of that in the unsuccessful efforts made by various public bodies to raise money in the old country. As I have said, you can always raise money if you are willing to pay for it, but the experience of most governments and most large public bodies has been that for some years the conditions have been unfavourable. Perhaps the most notable example—an exceptional one some may say—was the Russian loan placed recently on the market for a sum of \$430,000,000. So unfavourable was the condition of the money market that Russia was obliged to offer terms which practically amounted to within a fraction of six per cent for the money. Of course Russia has suffered a great deal from the Japanese war; her prestige is not what it formerly was, but still Russia is a very great nation and nobody doubts that the securities of Russia will be redeemed in due course. The fact that this great nation has had within the past few weeks to pay six per cent for her money is at any rate an indication of the state of the money market.

We have been fortunate in not having to go on the public market. With our abundant revenues which are exceeding our ordinary expenses, we have been able to provide largely for our capital account as well as for the ordinary expenses; we have not only been able to provide for our capital account but we have been able to provide to a considerable extent for the redemption of maturing loans.

TREASURY BILLS.

We have found it necessary from time to time to issue treasury bills. We believed it was more expedient to issue a short term treasury bill at a possibly higher rate for the moment than to issue permanent stock which would bear the results of the unfavourable conditions of the money market during the whole period of its life; and so we have from time

to time as the need might be issued treasury bills which with the aid of our liberal revenues have enabled us to carry on the public affairs. Hitherto, with the exception of the year 1897, we have not gone upon the general money market.

Mr. FOSTER. Can my hon. friend give us an idea of the treasury bills that have been issued and their cost?

Mr. FIELDING. We have now outstanding an issue of treasury bills of £600,000. These bills were first issued in March, 1905, at a cost of $2\frac{1}{4}$ per cent discount, a particularly favourable rate. They were renewed at a later stage for $3\frac{1}{8}$ per cent; they were again renewed for $3\frac{1}{4}$ per cent and they are now outstanding. These are the only treasury bills which are at this moment outstanding.

Mr. FOSTER. Was the last issue $3\frac{1}{4}$?

Mr. FIELDING. The highest for that issue is $3\frac{1}{4}$. We have had at other times issues which have passed out, and which bore from time to time a higher rate; I think we paid at one time as high as $3\frac{7}{8}$. In addition to this £600,000 of a temporary loan in the form of treasury bills we have an overdraft in the bank in London for £400,000. We had an issue of £800,000 of treasury bills maturing and we thought it was not wise to renew them at the moment. We were able to pay off £400,000 of them and the balance remains for the time being as an overdraft. Whether we shall let it remain in that position or whether we shall issue treasury bills is a point to be considered. We are awaiting a favourable opportunity.

Mr. FOSTER. What is that costing you now?

Mr. FIELDING. The arrangement we have with the bank is that the overdraft shall bear the Bank of England rate at the time being, whatever it may be. The bank rate recently was $3\frac{1}{2}$; it was raised a couple of weeks ago to 4; the last report which I read in the newspapers is that they expect easier money within a week or two and that probably the bank rate will be down again $3\frac{1}{2}$. Whatever the Bank of England rate from time to time may be, that is the rate we pay on our overdraft.

Mr. FOSTER. Where is that held?

Mr. FIELDING. It is held in London by the Bank of Montreal. These are our only temporary loans. At times, of course, our loans have been larger as our needs were, and they have been paid off and other bills issued from time to time just

as might seem to be necessary. We have, as I say, been very fortunate therefore in not being obliged to go upon the public money market, and I am satisfied that in that course we were wise, inasmuch as any issue we might have made of late of a permanent character would undoubtedly have had to bear an unfavourable rate. We are strongly impressed that it was good policy to issue treasury bills for a short time awaiting a favourable market so that we might hope to issue our securities at a better rate than would otherwise be obtained.

EARLY MATURING LOANS.

While in the past we have been fortunate in not requiring to go on the market; while we have been able to meet our needs with the aid of liberal revenues and treasury bills, it is not to be expected that can be continued for an indefinite time. We have now large maturing loans and we have also large obligations, particularly those arising out of the Transcontinental Railway, and as those obligations come upon us it is certainly very desirable we should meet them by the issue of a public loan. When the market is in a more favourable condition for that purpose we shall certainly deem it our duty to issue a public loan in the usual way. I shall give the House a statement of what these early maturing loans are, for they are considerable.

On the 1st November next the 4 per cent loan of 1876 amounting to £2,500,000 matures, and on the 1st May, 1907, the sum of £2,275,082-14-5 falls due. This latter sum represents the portion of the loan of 1874 that fell due 1st May, 1904, that was extended. Year by year from that date until 1910 arrangements will have to be made to meet maturing liabilities.

The total maturities to 1910 inclusive are as follows:—

November 1, 1906..	£2,500,000	0	0
May 1, 1907..	2,275,082	14	5
April 1, 1908..	1,500,000	0	0
November 1, 1908..	4,500,000	0	0
June 1, 1909..	5,000,000	0	0
January 1, 1910..	6,443,136	2	9
January 1, 1910..	4,000,000	0	0
October 1, 1910..	1,500,000	0	0
	£27,718,218	17	2

Since 1903 the following loans have matured and have been provided for as follows:—October 1, 1903, Intercolonial Railway 4 per cent guaranteed loan, £1,500,000 redeemed in cash.

October 1, 1903, Intercolonial Railway, 5 per cent unguaranteed loan, £500,000 redeemed in cash. April 1, 1904, Ruperts Land, 4 per cent guaranteed loan, £300,000 redeemed in cash. May 1, 1904, 4 per cent loan of 1874, £4,000,000. Of this £2,500,000 was extended for three years. November 1, 1905, 4 per cent loan of 1875, £1,000,000 redeemed in cash. It will therefore be seen that we have been providing for very considerable sums of our maturing liabilities and have been able to redeem them in cash, except in one instance in which we have carried over a portion of our loan as I have explained.

DEPORTATION OF UNITED STATES COINAGE.

I mentioned to the House a year ago that I had made an arrangement with the view that there should be a deportation of American silver. It was found that the amount of American silver in circulation in Canada was very large; and possibly as a matter of national pride, possibly in view of the fact that there is a profit on the circulation of silver, many hon. gentlemen thought we should take steps to supply the Canadian coin and displace the American. Towards that end the government made with the banks an arrangement which was somewhat slow in going into operation, and up to the present date the amount of silver sent out of the country is \$273,750. That has been practically all replaced by Canadian silver.

IMMIGRATION.

I have before me certain statistics of the immigration to the Dominion which I shall not burden the House with, but I would like to note, and I am sure the House will share with me in the pleasure of noting, a very interesting fact in connection with the immigrants who are now coming to Canada. Not only is immigration for the current year increasing, but it is increasing in a way that will be pleasing to us all as to the source whence these immigrants come. In the ten months of last year the number of immigrants recorded as arriving was 93,309, and in the ten months of the present year the number of immigrants arriving is recorded as 117,585. Therefore as regards the total figures the result is very gratifying indeed. But when we come to analyse the details of this year's immigration we find that while in the ten months of last year the immigration from continental Europe was 23,637, that immigration from continental Europe for the ten months of the present year is almost exactly the same figure or 23,739. The

figures are practically the same as those of last year. There has therefore been no increase apparently in our continental immigration. Turning to the immigration from the United States, we find that whereas last year the number of immigrants in the ten months to April 30, 1905, was 31,969, up to April 30 of the current year it had increased to 43,237. I know that some persons not always in Canada—and the farther away they are from Canada the more likely they are to take this view—entertain a doubt as to what will be the effect of so many people from the United States coming to our country. I believe I speak the mind of all who have been in the Northwest when I say that the people who have come from the United States are among our best settlers to-day. They are people accustomed to our western life, who understand how to manage the farm lands of the country, and as a rule people with a little capital and marked intelligence; and I have such a firm and abiding faith in the all-absorbing power of British soil and British institutions that I have no shadow of doubt whatever that these people will make some of the best Canadians in the country. If we turn to the figures of immigration from the mother country, we find an equally gratifying state of affairs. Last year, in the ten months which I am considering, the immigration from the United Kingdom numbered 43,703; while in the ten months of this year it amounted to 50,609. While, therefore, we are glad to welcome to Canada immigrants from the continent, I am sure we are all the more pleased to have so large a percentage of those from the mother land and the United States, who speak our language and are familiar with our laws.

REVISION OF THE TARIFF.

It was announced by the Prime Minister some time ago that the proposed revision of the tariff would not take place during the present session. I very much regret the circumstance which obliged him to make that announcement; but there seemed to be no help for it. We thought after that determination was reached that the House would have a shorter and quieter session.

Mr. FOSTER. Was it entirely the sprained ankle?

Mr. FIELDING. If the hon. gentleman can suggest any other reason, what would he say it was?

Mr. FOSTER. It is hard to get inside of the hon. gentleman's mind.

Mr. FIELDING. I can tell the hon. gentleman that so far as I am concerned, there is no other reason; but he has a vivid imagination, and perhaps he can find some reason which has not entered into our own minds at all.

PRESENT TARIFF CHANGES.

We have no changes of a material character to make in the tariff in consequence of the announcement of the right hon. the Premier. I have, however, one or two small resolutions to present, not for the purpose of making any change, but merely to confirm existing conditions. The first resolution is to extend for the further period of six months the exemption which is already provided for in our tariff as respects the duty on beet sugar machinery. It was represented to us that some factories were in course of construction at the present time or were projected and will go on during this season, and that if we allowed this extension, the industry would get the benefit of it. We therefore propose to extend that exemption to the 31st of December next. There is a similar exemption in the tariff with respect to machinery used for alluvial gold mining. It was inserted particularly for the encouragement of the gold mining industry in the Yukon Territory. We propose to extend the period of that exemption also to the 31st of December next. We also propose a resolution to confirm in the tariff an arrangement which has recently been come to with respect to the re-rolling of steel rails. It was represented to us some time ago by the Grand Trunk Railway Company that they wished to take up a lot of old rails and send them abroad to be re-rolled, and then bring them back to Canada and lay them on some of their branches, thus much improving the service. They represented that there was no place in Canada where they could get this work done, and they asked us to admit the re-rolled rails free of duty. We were not able to agree to that; but we agreed that if there was no establishment in Canada which could do the work, we would allow the rails to be sent to the United States to be re-rolled, and then brought back to Canada, and in that case we would not levy on them the full duty imposed on new rails, but a duty on the value of the labour put into the operation of re-rolling the rails in the United States. In accordance with

that arrangement a refund of duty was allowed to the Grand Trunk Railway Company with respect to a certain quantity of rails which they are importing under these circumstances. We think it desirable, however, that the matter should not be dealt with in that way, but in the form of a tariff resolution, which will provide that in the case of old rails that have been in use, which it is desired to send out of the country for the purpose of being re-rolled, they may be brought back to Canada on payment of a duty of 25 per cent on the value of the labour employed in this work in the United States, provided, however, that such arrangement shall not continue longer than until the establishment in Canada of any factory or mill equipped for the doing of this work; and when and so soon as it shall appear to the satisfaction of the Governor in Council that such a mill has been built in Canada, then this clause shall cease to operate, and all such rails shall be admitted at the general rate of \$7 a ton. The duty of 25 per cent on the value of the labour entering into the work represents about the duty of \$7 a ton on new rails, because the price of steel rails to-day is about \$28 a ton and the duty is \$7; so that while duty is specific, it is about equivalent to 25 per cent ad valorem. Therefore we propose at present to allow any railway company who wish to engage in a transaction of that kind to bring in the re-rolled rails under these terms and conditions.

TARIFF GENERALLY.

With respect to the tariff generally, hon. gentlemen are aware that two of my colleagues and myself, with sometimes some others—the Minister of Trade and Commerce was able to be with us only occasionally; but the Minister of Customs and the Minister of Inland Revenue, who is now the Minister of Marine and Fisheries, with the assistance of some other ministers in certain parts of the country—have made a very extended tour, and have inquired as far as possible into the desires of the people of all classes in relation to the tariff. In every part of the country the hearings were attended with a great deal of interest. People came from long distances to present their views, and I think they were satisfied with the manner in which they were received. We hope during the recess, if this session does not extend to too great a length, to take up that work, and at the November session, unless there should be delays in the present session to cause a change in that programme, we hope to bring forward a revised tariff—not one

which will make any great changes perhaps, but one which will meet such new conditions as have arisen; and we hope that we shall have the same measure of success that we have had in the past, in devising a tariff which will meet the requirements of all interests in the country, and that we shall have again a period of tariff stability under which the industries of Canada will go on and prosper as they have done in the past nine years.

Pamph.

CONFIDENTIAL
BUDGET

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, MARCH 17

1908



OTTAWA

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WAYS AND MEANS—THE BUDGET.

Hon. W. S. FIELDING (Minister of Finance) moved that the House go into Committee to consider of the Ways and Means for raising the Supply to be granted to His Majesty. He said: Mr. Speaker, the last volume of Public Accounts in the possession of the House is for the fiscal period of nine months ended 31st March last. Perhaps it is worthy of note—though we here generally understand it—that the broken period was made necessary by the change in our fiscal year. Of course, it is difficult to make comparisons between a period of nine months and a period of twelve months: but, after the passing of the present year, we shall come to conditions under which comparisons may be made as usual.

FISCAL PERIOD 1906-7—REVENUE, EXPENDITURE AND SURPLUS.

The outturn of the financial period to which I have referred proved somewhat more favourable than the anticipations which I ventured to present to the House in the budget speech of the previous November. I had estimated a revenue of \$65,000,000; the actual revenue for the nine months was \$67,969,328.29, an excess over the estimate of \$2,969,328.29. I estimated an expenditure chargeable to Consolidated Fund of \$52,000,000; the expenditure proved to be \$51,542,161.09, which was less than the estimate to the extent of \$457,838.91. I estimated a surplus of \$13,000,000; the actual surplus for the nine months was \$16,427,167.20. That is, the surplus for the nine months was larger than the surplus of any fiscal year in the history of confederation. It

may be well to note, in passing, though the figures are in the possession of the House already, that the main sources of our revenue were as follows:—

Customs	\$39,760,172 53
Excise	11,805,413 21
Post Office.. . . .	5,061,728 45
Dominion Lands	1,413,632 03
Railways	6,509,099 78
Miscellaneous	3,389,282 29
	<hr/>
	\$67,969,328 29

The customs revenue during the nine months proved very buoyant, showing a very large proportionate increase over that of 1905-6. The same may be said of excise.

POST OFFICE.

The post office revenue continues to increase and that service may now be regarded as being firmly established on a paying basis. In the nine months of the financial period 1907, we received from this source \$5,061,728.45. The expenditure for that period was \$3,979,557.34, leaving a surplus of \$1,082,171.11. The operations of the Post Office Department up to and including 1902 resulted in deficits year by year. In 1903 we had a small surplus of \$292,654. Each succeeding year has shown a surplus, and so well has the administration of this branch of the service prospered that in the nine months of 1907 we actually netted a surplus of \$1,082,171.11.

The statement of post office revenue and expenditure for a series of years is so interesting that the House will pardon me if I spend a moment in calling attention to it. The statement from 1896 to 1907 is as follows:—

Year.	Revenue.	Expenditure.	Deficit.	Surplus.
	\$	\$	\$	\$
1896	2,964,014	3,665,011	700,997	
1897	3,202,938	3,789,478	586,540	
1898	3,527,809	3,575,411	47,602	
1899	3,193,777	3,603,799	410,022	
1900	3,205,535	3,758,014	552,479	
1901	3,441,504	3,931,446	489,942	
1902	3,918,415	4,023,636	105,221	
1903	4,397,832	4,105,178		292,654
1904	4,652,324	4,347,540		304,784
1905	5,125,372	4,634,527		490,845
1906	5,933,342	4,921,577		1,011,765
1907	5,061,728	3,979,557		1,082,171

It is of course to be remembered that this great change from a period of deficits to a period of surpluses is coincident with a very material reduction in the most important postal

rates of the country. We have not only had a greater revenue with a lower rate of postal taxation, but from year to year a continued expansion in the service. Taking only the last period of nine months, it is found that there have been the following increases in that service:—

Class of office.	Increase for nine months.
Post offices	236
Postal note offices	355
Money order offices	115
Savings banks	32

This is in addition to the large increase in the mileage of mail service as compared with previous years.

INTERCOLONIAL RAILWAY.

The Intercolonial account to which attention has already been called by the Minister of Railways and Canals (Hon. G. P. Graham) showed that there was a revenue for the nine months of \$6,248,251.45, while the working expenses were \$6,030,171.83, showing an excess of revenue over working expenses, for the nine months, of \$218,079.62.

The Prince Edward Island Railway was treated separately. There the balance is the other way; there is an excess of expenses over revenue of \$67,713.53.

FISCAL PERIOD 1906-7—SUMMARY OF RESULTS.

For convenience of reference I have put in summary form the expenditure of all kinds, the revenue, and the net debt statement for the period of nine months. That is set out in the following table:—

SUMMARY of revenue, expenditure of all kinds, and net debt	
for fiscal period of 9 months ended March 31, 1907.	
Expenditure chargeable to Consolidated Fund..	\$51,542,161 09
Capital expenditure—	
National Transcontinental Rail-	
way.....	\$5,537,867 50
Railways	1,603,701 07
Canals	887,838 61
Public works..	1,797,871 16
Dominion lands..	526,582 61
Militia	975,282 87
	<hr/> 11,329,143 82
Special expenditure—	
Railway subsidies	\$1,324,889 30
Bounties	1,581,944 36
	<hr/> 2,906,833 66
Total expenditure	65,778,138 57
Total revenue..	67,972,109 65
Excess of total revenue over total expenditure..	2,193,971 08
Add sinking funds..	1,177,146 71
	<hr/> 8,371,117 79
Decrease of net debt	

PUBLIC DEBT AND DEBT PER CAPITA.

It will be observed that there is an excess of total revenue over total expenditure of \$2,193,971.08. Adding to that the sinking funds, which are simply taken from one side of the account and placed on the other, and which amounted to \$1,177,146.71, we see that as a result of the period's operations there was a decrease in the net debt of Canada of \$3,371,117.79. This question of the public debt is at all times one of much interest. Occasionally we have had the happy privilege of calling attention to a reduction of the public debt, but on every occasion when I have had to speak of that I have taken the precaution to warn the House and the country that it would not be reasonable to expect, in a country like Canada, that we should have frequent reductions of the public debt. Indeed, it may surprise some hon. gentlemen, who are not familiar with our affairs, to be told that in the whole history of confederation there have been only six years during which there have been reductions in the public debt. One of these reductions stands to the credit of Sir Francis Hincks, away back in 1871. Another stands to the credit of Sir Leonard Tilley in 1882. The remaining four have occurred in recent years and can be claimed by the present administration. A moderate increase in the public debt from time to time is to be expected and would be quite defensible. I think it must be a cause of surprise to many persons and even to our critics to know that after the lapse of $10\frac{3}{4}$ years of the present administration there has been such a very small addition to the public debt. During that period we have carried on large operations. We have provided very liberally for that portion of our public expenditure which is chargeable to consolidated fund. We have provided generously for the public service—perhaps my hon. friends opposite would use the stronger word, 'lavishly.' We have provided for our capital and special expenditure. We have expended \$127,000,000, apart from the ordinary charges, on what is called the capital and special account. Yet notwithstanding all these liberal allowances for all the public services, notwithstanding the large capital and special expenditure, notwithstanding the liberality with which all branches of the public service have been maintained, notwithstanding the energy carried into the development of our public works, we find ourselves at the end of this $10\frac{3}{4}$ year period with an addition to the public debt amounting to only \$5,174,427. If it were not for the special item of the National

Transcontinental Railway, which every hon. gentleman will admit is of exceptional character, we would find that during the 10 $\frac{3}{4}$ years we have had no increase of the public debt whatever, but a very considerable surplus over expenditures of every kind. If we look into the question of the debt in its relation to the population of the country, which is a very fair way to look at it, we find reason for believing that Canada is very modest in the matter of incurring public debt. As the country increases its population, we, of course, increase in ability to bear the burden. If the increase of the public debt should simply keep pace with the increase of population and the development of our resources, there would be nothing to complain of. But when we are able to show that from the point of view of the debt per head there has been no increase, but in reality an actual decrease of the public debt per head, I think it will be admitted that we are making a very gratifying statement. Beginning at the year 1891 and taking the figures of the population as furnished from time to time by our census department, we find that the net debt of Canada per head stands as follows:—

NET DEBT PER CAPITA.	
June 30, 1891.. . . .	\$19.09
" 1892.. . . .	49.15
" 1893.. . . .	48.96
" 1894.. . . .	49.40
" 1895.. . . .	50.57
" 1896.. . . .	50.82
" 1897.. . . .	50.87
" 1898.. . . .	50.77
" 1899.. . . .	50.62
" 1900.. . . .	49.88
" 1901.. . . .	49.84
" 1902.. . . .	49.59
" 1903.. . . .	46.84
" 1904.. . . .	45.74
" 1905.. . . .	45.63
" 1906.. . . .	44.63
March 31, 1907.. . . .	42.84

I take as the estimate of population for the last date mentioned, 31st March, the figures furnished by our Census Department as 6,153,789.

FISCAL YEAR 1907-8.

The fiscal year for 1907-8 will close within a few days, on the 31st of March, according to the new system. In England the fiscal year is closed on the same date; and they are able to close up the business of the year very quickly. In fact I think it is the practice there to take the accounts as they actually stand on that date and declare the result immediately. That can be done in a country like England, with a comparatively small area and with nearly perfect means of

communication. But with us in Canada, with a vast territory, and in some cases at least imperfect means of communication, it has been found necessary to make a liberal allowance in closing up the accounts. The Audit Act permits three months; we do not usually take the whole of three months; the practice in late years is to close up the accounts in about six weeks from the end of the year. Although we are now near to the end of the year, it is not easy to make a very close estimate, for the reason that all over the Dominion, with vast distances, there are accounts still to be rendered. Still we are so near the end of the year that we ought to be able to make our estimate somewhat closer than usual. Our revenue to the 29th of February for the current year amounted to \$87,601,299. For the remainder of the year we make a conservative estimate, for we are aware that at the present time there is some check upon business activity. We place the revenue for the year at \$96,500,000. The expenditure chargeable to consolidated fund up to the 29th of February, was \$60,720,353. Making a reasonable allowance for the expenditure to the close of the year, we think the total outlay of the year chargeable to the consolidated fund will reach \$77,500,000. If these figures be realized, with a revenue of \$96,500,000 and an expenditure chargeable to consolidated fund of \$77,500,000, we shall have for this year the magnificent surplus of \$19,000,000. That will be a larger surplus than in any previous year.

Coming now to our capital and special expenditure, we have to estimate that on a pretty liberal scale, for we are now engaged in the construction of large works. We estimate our capital and special expenditure for the current year at \$33,000,000. This will make our expenditure of every kind for the year \$110,500,000. If we deduct from this our estimated revenue of \$96,500,000 and the sinking fund of about \$2,000,000, making \$98,500,000, we shall find that there will be a balance at the end of the year to be added to the public debt of probably \$12,000,000. In this present year, in the figures which bring about this result of a possible and probable addition to the public debt of \$12,000,000, we shall spend no less than \$17,750,000 on the National Transcontinental Railway. If we did not have to make provision for that particularly large and exceptional item, we could close the year, not with an addition to the public debt, but with a reduction of the public debt to the extent of \$5,750,000.

I gave the House a few minutes ago the figures of the debt

per head up to the 31st of March last, at which time there was a reduction of the public debt. At the end of the current year there will be a considerable addition to the public debt, and therefore it might be thought that would affect adversely the figures I have given of the debt per head. But I believe it is not so. During the past year we have had a particularly large immigration; I believe the population of Canada has increased during the past year very much more than in any previous year in our history, and I have no doubt that if a careful account be taken, it will be found that the increase in population will more than balance this increase in the public debt, and the net result will be that the debt per head at the close of this fiscal year will be no higher than it was in the figures I gave some little while ago.

NATIONAL TRANSCONTINENTAL RAILWAY.

I have spoken of the expenditure on the National Transcontinental Railway. We have for several years been spending money on that great work. At the beginning of the work the demands upon the public treasury were not great, but we are now reaching a point when the expenditures for that service is and must continue to be large. I find we have expended up to date on the National Transcontinental Railway, that is on the eastern division which the government are constructing, the following sums:—

Year.	Amount.
1904.. . . . .	..\$ 6,249 40
1905..	778,491 28
1906..	1,841,269 95
1907..	5,537,867 50

Making a total up to the date of the last public accounts, of \$8,163,878.13. If to this we add the estimate for the current year, of \$17,748,600, we find that at the close of the present fiscal year on the 31st of March we shall have spent within a few dollars of \$26,000,000 on the National Transcontinental Railway.

Mr. TAYLOR. I thought my hon. friend was going to build it for \$13,000,000.

Mr. FIELDING. That was one of my hon. friend's dreams; if I wished to be more accurate and more just I would use a harsher word. The total expenditure on the Transcontinental Railway up to the 31st of March, to be exact, according to the actual outlay at the end of last March, and the estimated outlay this year, will be \$25,912,478.13.

SUBSIDIES TO PROVINCES.

In considering the question of our increased expenditures it is well to bear in mind that by the amendment of the British North America Act we are now paying to the provincial governments very much larger allowances than were paid in former years. Provincial subsidies have hitherto amounted to \$6,745,133 per annum, but under the recent amendment to the British North America Act these provincial subsidies now call for \$9,032,774, an increase for that item alone of \$2,287,641. That, of course, will stand in the general statement of expenditure of this government, but it is to be remembered that it is money which this government does not expend at all but turns over to the provincial governments of the country to administer it as they think best, and, I have no doubt, for the development of their respective provinces.

TRADE OF 1907-8.

The trade returns for the eleven months which have passed are by no means discouraging. The total imports for eleven months to February 28, 1907, were \$308,264,306; for the corresponding eleven months to February 29, 1908, the imports were \$341,175,095.

Mr. FOSTER. Are these imports for home consumption?

Mr. FIELDING. These are the total imports. The total exports for the eleven months of 1907 were \$266,076,601; for the eleven months of 1908 they were \$261,434,521. It will be seen from this statement that the imports have somewhat increased and that the exports show a slight decrease, but on the whole the statement of the trade up to the present time is by no means discouraging, although I quite realize that we are now at the stage when there must be some falling off in our revenue.

FISCAL YEAR 1908-9.

Turning now to the fiscal year 1908-1909, upon which we shall soon enter, I think I am correct when I say that the general feeling of our business men is one of hopeful confidence united with much caution. We are just emerging from a period of world-wide financial stringency. Financial systems and institutions of all countries have been severely tried. It should be a gratification to us all that none have stood the test better than those of Canada. In the single case in which one of our banks became embarrassed, sister institutions promptly

took over its affairs and its business went on without the slightest hitch so far as the public interests were concerned. One of the conditions which accentuated the difficulties in the neighbouring republic was, fortunately, unknown here. I refer to what is called the hoarding of money. In the United States men lost faith in financial institutions and withdrew their money and locked it up. Happily nothing of the kind occurred in Canada. There was a justifiable confidence in our banking institutions. Where money was withdrawn it was not to be hoarded, but to be applied to investment or other useful purposes. The curtailment of credit naturally produced some embarrassments. But even out of this condition good may come. There was danger that the rapid expansion might lead to overtrading and imprudent ventures. It is as well, perhaps, that all concerned should be warned against such things. Business has received a check but I do not look for a continued period of depression. Conditions should improve in the early summer, and if we are blessed with a season of good crops confidence will be fully restored.

On the part of the government it is a time for caution, and yet a time for courage. Large new enterprises, which would call for great outlay, may well be laid aside for a little while. But the works which we already have in hand, and perhaps other works not calling for heavy outlay, must not be neglected. Particularly must we not fail to push forward the great enterprise of the Transcontinental Railway. We have reached a stage in that enterprise which calls for heavy expenditure, yet we feel it our duty to urge upon the commissioners the vigorous prosecution of the work so that the new road may be completed at the earliest possible date.

The main estimates for the year, already in the possession of the House, propose to appropriate on account of consolidated fund \$76,871,471, and for capital account, \$12,365,620.

Supplementary estimates will come in due course and add considerably to these appropriations. It must be remembered, however, that the estimates do not usually by any means represent the actual expenditure. A considerable portion of the appropriations of every year remains unexpended and the works concerned are provided for in the following year.

As to the probable revenue for the coming year I would wish to speak with caution. The monetary stringency is producing a curtailment of imports. Some of my hearers will not regard that as a misfortune. I anticipate a falling off in our

revenue in the early part of the new year. I am hopeful that later on the loss will, to a considerable extent, be made up and that in the end we shall find the revenue fairly satisfactory. I am estimating a revenue of \$96,500,000, for the year soon to close. I do not feel justified in expecting so large a revenue for the coming year. Probably it will be more likely to fall below \$90,000,000 than rise above it. Such a revenue would enable us to retain our strong financial position. We should have to be content with a reduction of the surplus. But I would expect the revenue to enable us to provide for all our consolidated fund expenditure and something as well by way of surplus. For our capital expenditure, or a considerable part of it, we shall undoubtedly have to add to our public debt. But, as I have often pointed out, it is unreasonable to expect that in a country like Canada we can carry on our work of development without occasional additions to that debt. If we have to add in the coming year to our debt account, it will not be for ordinary expenditure, but for our work on capital account, and particularly for our great work of the Transcontinental Railway. For that work alone we are asking an appropriation of \$30,000,000 for the coming year.

Mr. R. L. BORDEN. May I ask the hon. minister if he has an estimate of the total cost of the eastern division of the road?

Mr. FIELDING. No. Estimates were made in the earlier discussion, but I have not had them revised of late.

Mr. E. D. SMITH. Would the hon. minister say at what he estimates the total expenditure? He mentioned \$30,000,000 for the Transcontinental Railway.

Mr. FIELDING. I have not spoken particularly of the capital expenditure for the current year, except for the Transcontinental Railway.

Mr. FOSTER. How much is that?

Mr. FIELDING. Thirty millions is what we are asking for. Of course, the estimates of all the capital expenditure are before the House, but I have referred to this item particularly, which is a large one, and which seriously affects our finances.

LOANS.

In regard to the general question of loans, always a matter of interest, we have been exceptionally fortunate in not being

required to go very often to the money market. Our large surpluses have from time to time enabled us to meet payments which under ordinary conditions would have necessitated the borrowing of money. We have from time to time borrowed money temporarily on treasury bills, but as I have already pointed out we have added very little to the public debt. Now that we are in the midst of our Transcontinental Railway expenditure it is, of course, to be expected that we must go more frequently to the money market. Besides, we have reached a period in which we have to provide for very considerable maturing loans which have to be renewed, and this will necessitate our turning to the money market. Some have already been provided for and others are the subject of careful consideration and observation of the money market. In the last eight months we have borrowed over \$31,000,000 in the London and Paris markets. This money, obtained at a time of financial stringency, was obtained, on the whole, on favourable terms. Some portion was obtained on treasury bills, some on short term loans, and some, as in a recent case, on a long term loan.

MATURED LIABILITIES.

On the 1st May, 1907, there fell due in London £1,831,398 1s. 5d. This represented a portion of the 4 per cent loan originally issued in 1874, which matured on the 1st May, 1904, and which was extended for three years from that date. On the 1st May, 1907, it was extended for a further period of four years to the 1st May, 1911, at the same rate of interest and with the same option to that offered to the holders in 1904, namely, the option of conversion into 3 per cent stock due 1938; the basis of conversion being £105 of threes for each £100 of fours, the option to expire on the 1st April, 1910.

This option was availed of to some extent by those who extended their holdings in 1904. The extension in 1904 amounted to £2,500,000. The balance between that and the amount extended in 1907 represents the conversion into 1938 stock.

On the 1st December, 1906, \$500,000 3½ per cent Canadian currency debentures matured and were paid off at Ottawa on presentation. These debentures were originally issued on the 1st December, 1891.

TEMPORARY BORROWING.

To provide for expenditure in connection with the Trans-continental Railway and other expenditures which could not be met out of the revenue, a temporary loan of £500,000 was made on treasury bills on the 17th August, 1907, for one year at the rate of $4\frac{1}{2}$ per cent.

In December a short term loan for £1,500,000, to fall due 1st October, 1912, and bearing 4 per cent interest, was negotiated; and on the 24th January a further temporary loan of £1,000,000 on treasury bills was made for one year at $4\frac{1}{4}$ per cent.

On the 6th February, 1907, a further temporary loan on the security of treasury bills was negotiated for \$2,000,000 at the rate of 4 per cent for one year, one million of which was discounted by the Banque de Paris et des Pays Bas and the other million by the Crédit Foncier Franco-Canadien. It was felt that at the time these temporary loans were made it would not be in the public interest, on account of the unsatisfactory state of the money market and the high rates of interest prevailing, to make a loan of a more permanent character. Conditions, however, have recently improved, and as on the 1st April, 1908, the Intercolonial guaranteed 4 per cent loan of £1,500,000 matures, it was thought advisable in providing for this at the same time to provide a further amount of £1,500,000, or £3,000,000 in all, the rate of interest being $3\frac{1}{2}$ per cent. This loan is redeemable on the 1st July, 1950, with the option to the government to redeem at par on or after the 1st July, 1930, on giving six months' notice. Holders of the £1,500,000 4 per cent guaranteed Intercolonial Railway bonds maturing the 1st April, 1908, were given the option of exchanging their bonds for an equivalent nominal amount of this stock. The issue price of the loan was par and the amount was over-subscribed. Holders to the amount of £1,123,000 of the bonds maturing 1st April, 1908, exchanged for bonds of an equal nominal amount of the new loan.

To sum up, the following amounts have been borrowed temporarily since 17th August:—

Treasury bills	£1,500,000 = \$7,300,000
Short term loan	1,500,000 = 7,300,000
Treasury bills.. .. .	2,000,000

In all	\$16,600,000
To which must be added the long term loan	
of	£3,000,000 = 14,600,000

Or a total of \$31,200,000

A very interesting feature to which I wish to call the attention of the House is that the people over there who invest in Canadian securities seem to be fond of their Canadian investments and stay with them, and so when they are offered an opportunity of exchanging an expiring loan for a new one, in a great many instances they have come forward and simply continued their investment with Canada.

EARLY MATURING LIABILITIES.

On the 1st November, 1908, a 4 per cent loan of 1878-9 of £4,500,000 falls due. The amount of sinking fund of the loan is £1,128,014. This is a large obligation to be met, and due regard must be had to it in arranging our financial affairs. It is hoped that the summer will see still more improvement in the market conditions. Such arrangements will be made to meet the obligation as will be considered best in the public interest.

Mr. FOSTER. The minister has not said anything about the overdraft. I think about £300,000 which he mentioned earlier and which was paying Bank of England rate.

Mr. FIELDING. I mentioned in an earlier discussion this session that there was an overdraft upon our financial agents in London, and the arrangements which have been standing for some time have been that the bank charges us on overdrafts the current Bank of England rate. It so happened that an overdraft occurred at a time when the bank rate stood remarkably high—higher than for the previous thirty years—the rate being 7 per cent. According to the letter of the understanding the bank might have required 7 per cent, but as the result of negotiations between the bank and myself the rate was fixed at 6 per cent for the short time during which the overdraft existed. The overdraft has since been paid off and it does not now form any part of our indebtedness.

THE QUEBEC BRIDGE.

I shall say a word now with regard to certain financial transactions between the government and the Quebec Bridge Company.

It will be remembered that last session the government took authority to advance money to the bridge company. The government had previously obtained from parliament authority to issue a guarantee of bonds to assist the bridge company. These bonds were prepared with a view to

being sold in the money market. The money market conditions proving unfavourable the bonds were not sold, but were used as a basis on which the company could raise money from the banks, and the money to carry on the bridge work for some considerable time was raised in that way.

It became apparent to the government that we would probably have to take over the bridge. Although no Act to that effect has ever passed we have the power in our legislation to take over the bridge provided parliament shall authorize it. That is to say, as between the government and the bridge company we have the right to take over the bridge, but we can only take it over when authorized by parliament. I think the general tendency of discussion has been towards the taking over of the bridge. Now, it appeared to us in that view, if these bonds had to be sold in an unfavourable money market at a sacrifice we might be obliged to buy them back in a few years at par, and we thought that in view of the shape the bridge question was taking it was better that these bonds should not be issued and that the company should arrange in some other way. Accordingly at the last session of parliament we obtained authority to advance to the bridge company the amount required, in the same way that we advance it to the Montreal Harbour Commission, taking over the bonds of the corporation and holding them as against the loans. We were proceeding to take action under that authority with a view of advancing the money to the company, and thus enabling them to close their transactions with the bank, when just at that particular stage the bridge disaster occurred, and for the time being further action was suspended. However, the reasons which prompted the presenting of the legislation last session still continue. We all recognize the fact that the bridge has to be completed and the general indications are that the government will have to take the enterprise over. How they may manage it and handle it is a question that has yet to be dealt with. At all events, with the fair presumption that the government will have to take the bridge over, it seems to me that the reasons still hold good that we should not allow these bonds to be sold in the market at a sacrifice. We have, therefore, determined to carry out the legislation of last session. We have recently advanced \$2,000,000 to the bridge company to enable it to pay a part of its indebtedness to the bank. We are arranging to carry out the Act of last year to the fullest extent by giving them as soon as it can be arranged the balance

of the money required. The bonds will then be entirely released; the bank will not any longer have any claim upon them; they will rest in the vaults of the government and the debt will become a debt to the government just as the debt of the Montreal Harbour Commission.

Mr. FOSTER. What is the claim of the bank?

Mr. FIELDING. The amount advanced by the bank was \$5,061,453, to which some interest of course has to be added. We have recently advanced to the company \$2,000,000 and we shall in a short time arrange to pay them the balance.

Mr. R. L. BORDEN. Will the hon. gentleman be good enough to say how much the country will have put into the bridge when that transaction will have been consummated in the way he has just mentioned?

Mr. FIELDING. I am afraid I cannot give a definite answer. We appropriated a subsidy, a part of which was paid, but when the Guarantee Act was passed, if I recollect aright, we cancelled the balance. The money actually paid in, as I have described the transaction, will be \$5,016,000, with interest, plus that portion of the subsidy which was originally paid, but the amount of which I cannot state.

Mr. MILLER. \$374,353.

Mr. FIELDING. I know there was \$1,000,000 voted, a portion of which was paid, and the rest was cancelled by the guarantee. I think my hon. friend asked about the rate of interest. The rate of interest arranged by the bridge company with the bank, I understood, was $4\frac{1}{2}$ per cent.

Mr. BRISTOL. Was there not some agreement between the Bank of Montreal, the government and the bridge company whereby 5 per cent was to be paid?

Mr. FIELDING. I do not think so. It may be that the bridge company agreed to pay that rate, and if so I do not think the government objected. I do not recollect any special agreement about it.

Mr. FOSTER. Does the Minister know whether the bridge company has any outstanding debts other than the bank advances?

Mr. FIELDING. I have not given the matter close attention lately and am not able to answer definitely, but I under-

stand that all the funds for the purpose of the bridge have been obtained from the Bank of Montreal and are included in this debt. There may be amounts of which I have no knowledge.

Mr. AMES. In the amount of \$30,000,000 which the minister says will be required for the Transcontinental Railway for the coming year, does he include the amount required for the bridge?

Mr. FIELDING. No. The Quebec bridge, while it has a relation to the Transcontinental Railway, is for this purpose treated separately.

Mr. R. L. BORDEN. Has the government any estimate of the additional expenditure required to complete the Quebec bridge?

Mr. FIELDING. No, that is a branch of the subject to which I have not given my attention. I am only explaining our financial transactions. That will come under the Department of Railways and Canals.

STATISTICS OF CANADA'S PROGRESS.

On one or two occasions in previous years I have presented to the House diagrams illustrative of the progress of Canada. I have had similar diagrams prepared for the current year, and they will be distributed in due course. I will present, however, figures which will show at a glance the great progress Canada has made in a comparatively few years. I take statistics illustrating thirty years of the progress of Canada:

TOTAL TRADE.	
Year ended June 30, 1877.. . . .	\$175,203,355
1887.. . . .	202,408,047
1897.. . . .	257,168,862
1907.. . . .	617,964,952

TOTAL IMPORTS.	
Year ended June 30, 1877.. . . .	\$ 99,327,962
1887.. . . .	112,892,236
1897.. . . .	119,218,609
1907.. . . .	359,793,278

TOTAL EXPORTS.	
Year ended June 30, 1877.. . . .	\$ 75,875,393
1887.. . . .	89,515,811
1897.. . . .	137,950,253
1907.. . . .	258,171,674

TOTAL TRADE WITH GREAT BRITAIN.	
Year ended June 30, 1877.. . . .	\$ 74,823,292
1887.. . . .	83,455,681
1897.. . . .	98,935,040
1907.. . . .	208,745,193

RAILWAY TRAFFIC—TONS CARRIED.

Year ended June 30, 1877..	6,859,796
1887..	16,356,335
1897..	25,300,331
1907..	63,866,133

BANK DISCOUNTS.

Year ended June 30, 1877..	\$126,222,470
1887..	169,357,326
1897..	226,960,182
1907..	639,970,696

DEPOSITS BY THE PEOPLE IN THE CHARTERED BANKS.

Year ended June 30, 1877..	\$ 62,129,706
1887..	107,154,483
1897..	201,141,688
1907..	589,159,889

DEPOSITS IN THE POST OFFICE AND GOVERNMENT SAVINGS BANKS.

Year ended June 30, 1877..	\$ 7,470,630
1887..	40,832,275
1897..	48,934,975
1907..	61,493,671

GOVERNMENT AID IN MOVING WESTERN GRAIN CROP.

I think, Sir, I should avail myself of this opportunity to give to the House some explanation of the action of the government in connection with what was called the moving of the crops last autumn. I shall find it necessary to present to the House a Bill in a day or two, and before that Bill comes down I shall see that all the papers in connection with the matter are laid on the table, so that hon. gentlemen, before being asked to deal with the Bill, will have all the information before them. In the meantime, I may state briefly the history of the transaction. The money stringency, which was general, was particularly severe in our western country. That was natural, for the autumn is its period of greatest activity. At that season very much depends on the arrangements for the moving of the crops to the sea-board. At the beginning of November urgent representations were made to the government that the fiscal arrangements which could be made with the banks were insufficient to provide the means for handling the crops. We were informed that the ordinary lines of credit granted by the banks had either been exhausted or were too limited to meet the emergency. The condition of the crop was another feature to which our attention was called. Unfortunately, a considerable portion of the crop of last season was touched by frost, and its condition, we were advised, was such that it could hardly be carried over the winter with safety. For that and various reasons it seemed to be important that the crops should be moved, and we were asked to devise some means of granting aid. Mr. Gladstone, or Lord Beaconsfield,

on one occasion, when told that something must be done, said that evidently the party who said so did not know what ought to be done. I suppose that those who began this movement had no very clear idea of the form in which relief should be granted. I must do the banks the justice, if justice it be, to say that they were not the movers in the matter; they did not initiate the demand for aid. Indeed, it is fair to them to say that when the matter was first mooted, some of our best bankers were inclined to think that there was no need of further aid—that the banking facilities of the country were sufficient to meet all the requirements. However, representations continued to come to us in such form as demanded consideration. One of the first communications the government received on the subject was from one of our trusted officers in the Northwest, the warehouse commissioner, Mr. Castle, a gentleman in every way capable of advising what was the need of the situation. We summoned Mr. Castle to Ottawa and had the benefit of his knowledge and advice. The council of the Winnipeg Board of Trade urged upon us the necessity of taking action; the Manitoba Grain Growers' Association urged that we should take action; in many ways representations were made to us that it was really necessary that something should be done and done quickly. The season of navigation was about to close. Very much depends upon what may be done within the last two or three weeks in moving a crop when it has to be moved almost wholly by water—for only a limited quantity of this crop is moved all-rail. We came to the conclusion that the subject was one that we could not afford to set aside. Our bankers, who at first were very dubious about it and thought it not necessary, modified their views, and advised the government that some such action as proposed should be taken. The conclusion of the whole matter was that we decided that we would aid such of the banks as were engaged in the grain trade, and might wish to avail themselves of the assistance, with loans not to exceed in the aggregate \$10,000,000. When this matter was first announced, the banks, as I say, did not look upon it with too much favour, and were slow to take advantage of it. We had proposed that the rate of interest to be paid to the government for this loan should be 6 and 7 per cent. These are, undoubtedly, high rates of interest, but they were no higher than the Bank of England rate at that time, for it was then 7 per cent. So we decided to authorize the advance of this money to the banks on condition that they

should repay it within a short time at the rates of interest stated, and should put up securities for the loan, which were to be submitted to a committee of banking experts whom I named for that purpose. The gentlemen whom I named were: Mr. Clouston, of the Bank of Montreal; Mr. Thomas Fyshe, former manager of the Merchants' Bank; and Mr. J. M. Courtney, ex-deputy Minister of Finance.

In a short time, an intimation was given to us that the banks were hardly willing to utilize the order in council under the proposed conditions. They said that the rates of interest were so high as to give them no profit. Much of the explanation was given me in conversation, of course, because banks do not like to put themselves on record in these things. It was intimated also that they were unwilling to put up securities in the hands of the government, as it would expose their business affairs to the inspection of the government. Therefore, it seemed that there was some doubt whether the banks would avail themselves fully of the aid we desired to give. The movement we had in view could only be made successful through the co-operation of the banks, so when we found hesitation on their part, we thought we should try to meet their objection. Some, proud of the strength of our banking institutions, were inclined to think that if a bank accepted aid of this kind from the government it would be a reflection on that bank. That was a mistaken view, of course; but still I know that there was hesitation on that account. Therefore, we decided to modify our arrangement, and let the banks have the money, if they wished to take it, at a lower rate of interest. Under the new arrangement, we allowed the Bank of Montreal to deal directly with the banks, the Bank of Montreal acting as our agent. They were to arrange matters with the banks and collect a rate of interest not less than 4 per cent. That was ultimately agreed upon as meaning 4 per cent for sixty days; 5 per cent for a second sixty days, and 6 per cent if payment was delayed longer. The object was to get quick returns, as this was an exceptional transaction.

I am inclined to think that if we had done nothing more than announce the intention to grant this aid much help would have been given, by that simple act, to the West. I have the opinion of eminent bankers who have told me that, as soon as it was announced that the government intended to provide relief for the situation, confidence in the west was restored, that bankers who had been curtailing their credits took a more

generous view of the situation, and things began to improve. It has been stated in the public press that nothing was done under this arrangement, that the government did not give any money to the banks, or the banks to the people; that the whole thing was a misunderstanding—and I am afraid that sometimes even harder words were used. But I am glad to be able to say to the House that much was done under the arrangement. We found, after we had reduced the rates of interest in the manner I have described, that the banks did take the funds thus offered to them by the government to the extent of \$5,315,000. Nearly all of this money has now been returned. At this moment about \$965,000 remains outstanding, and there can be no question that the balance will be promptly paid. What threatened to be a serious crisis in the financial situation of the west was averted, confidence was restored, the situation was improved, and the interests of the government were protected at every point.

Now came the question how we could provide this money. We do not have \$10,000,000 always lying idle in the treasury of Canada; and, at a moment when the Bank of England rate was 7 per cent, it was not easy to borrow money quickly—and this was a transaction which required prompt handling.

Mr. FOSTER. When did the Bank of England raise its rate to 7?

Mr. FIELDING. Early in November. It was 7 per cent when this transaction occurred. I am sure of that, for it was the basis of our proceedings. It was raised to 7 in November, and continued until January, if my recollection serves me well. There had been no such banking rate for thirty-four years, that is, the last experience of such a rate had been in the year 1873. It was obvious that, if the government attempted to borrow this money hurriedly in England, it might not be able to borrow it at all, for, in the existing state of the market, it was not a question of credit but of being able to secure the money on any terms. And, even though we could borrow, the borrowing might have a bad effect upon the general credit of Canada for a long time. It seemed a case where the government might be justified in impairing to a small extent the reserves held against the redemption of Dominion notes. Any part of the \$10,000,000 required could be furnished in the shape of Dominion notes, which we should issue in the

usual way; but the issue of that amount of notes would carry us to a figure beyond our gold reserve. Though I speak of our gold reserve, it is not, in Canada, entirely gold, but is in part imperial guaranteed debentures; but I treat the two as one. We found that it was necessary, if we would provide this money promptly, in some degree to affect the position of our reserve. We decided to accept from the borrowing banks the securities they were able to give us, plus the guarantee of the Bank of Montreal—that is, the Bank of Montreal not only acted as our agent, but we required them to guarantee the whole transaction—so as I say, we agreed to accept these securities, plus the guarantee of the Bank of Montreal as equivalent to the guaranteed debentures which we hold in our reserve fund and against which our notes are issued. It was a technical departure from our Dominion Notes Act which will require the ratification and approval of this parliament. But I think I will be justified in saying that if ever there was an occasion when the government might put a strain upon that question of their reserve, it was in the condition of affairs then existing and for the purpose which I have indicated. The highest point reached by the circulation was on December 31, when it was \$62,623,628. This included the extra issue. But for this extra issue, the circulation would have been \$57,500,000 and the reserve of gold and guaranteed debentures held against this would have been equal to 61 per cent. The effect of the issue was to reduce our percentage of reserve to 56 per cent, a difference of 5 per cent. For this 5 per cent reduction in our reserve we had the securities put up by all the banks to which the money was advanced, and we had, in addition to that, the guarantee of the Bank of Montreal. Thus I think it will be found that while there was a technical departure from the law governing our Dominion notes, which calls for ratification by the parliament of Canada if parliament shall so approve, still the occasion was a very exceptional one and one upon which we were justified in adopting exceptional methods. Even putting aside the securities to which I have referred, we still had, at the worst point, a reserve of 56 per cent of our total issue, which most financiers will say is a very strong position.

Mr. FOSTER. What is the date of these advances, when the loans were made?

Mr. FIELDING. The order in council was passed on November 12, and the advances followed on towards the latter

part of November. I could not give the dates but I shall see that, in the papers brought down, the dates are given.

CHARTERED BANKS AND EMERGENCY CIRCULATION.

The experience that we have had, the difficulties of the past season, must suggest to us all, particularly to those from the West, that there is some need of greater elasticity of our currency so that we may be able to meet a difficulty of this kind in the future, without even a technical violation of our currency laws. I think the best form in which we can do that is by extending the powers of the banks with respect to the issue of their circulation. I think it well to state at once my view in that matter, and this statement will be followed in due course by a Bill amending the Bank Act. It seems to me to be the part of wisdom for the government to authorize the banks to issue what, for convenience, may be called an 'emergency currency,' (using an expression frequently employed in the United States) to allow the banks to issue for a limited time, during the crop movement, the season of emergency, currency to the extent of 15 per cent of their combined paid-up capital and rest or reserve, these taken together measuring the strength and stability of a bank. I propose in a Bill which it is my intention to introduce to authorize the banks during the emergency period of crop movement, which would be defined, beginning probably in October and ending after the turn of the year, to issue circulation to the extent of 15 per cent of their combined reserve and paid-up capital.

Mr. PRINGLE. Will the minister then increase the deposit which the bank will be required to put up to protect the note holder?

Mr. FIELDING. Oh, yes, certainly. For every note a bank issues, it must put up proper deposit in the guarantee fund.

It may be thought that we would get the necessary additional currency by an increase of the bank capital. That is a very desirable form of increase, and if we could rely upon the increase of the bank capital perhaps the other method would not be called for. Our bank capital has increased to a considerable extent, as will be seen by these figures for five year periods:

Year.	Bank Capital.
1895.. . . .	\$61,701,007
1900.. . . .	64,735,145
1905.. . . .	82,199,900
1908 (January 31).. . . .	96,057,255

This indicates a very considerable increase in the banking capital of the country; but in proportion to the increase in the trade of Canada the increase of the banking capital has not been large. Our home trade has largely increased as we know, but we have not statistics which will accurately measure that trade. Our foreign trade, for which we have accurate statistics, has enormously increased. In 1895 our foreign trade was \$224,000,000 and in 1907 it was \$617,000,000. Thus the trade of the country has enormously increased while the banking capital has, relatively, increased in a less degree.

The explanation of that of course is that the savings of the people in the way of deposits have furnished the money that has enabled the banks to handle this very large business. But the savings of the people, large and generous as they have been, are proving insufficient now to handle the business, and I think, in view of the fact that the banking capital has increased so slowly, we must look for help in the form which I have suggested. It is well to remember that the increase of bank capital may bring with it embarrassment as well as aid. Our banking capital is owned in Canada, very largely.

Mr. W. F. MACLEAN. Why should it not be owned very largely abroad?

Mr. FIELDING. That is another question.

Mr. W. F. MACLEAN. That should be the object of legislation.

Mr. FIELDING. Our banking capital is largely owned in Canada, a small percentage being owned abroad. The people in Canada who own the banking capital will probably find their surplus moneys locked up at the present time in various forms, they may be in bank deposits or in business enterprises; to call upon them to put up new capital might simply mean the transferring of money from one form of investment to another and this might be a cause of embarrassment to the shareholders, who might not be able to comply with the demand for increased capital. Of course if we could sell the bank shares abroad, as has been done in some cases, and bring in new capital, that would be the better condition, but then we have no guarantee that that can be done. While we have something to hope from the enlargement of the bank capital, because some large banks have already made application for the necessary authority and will undoubtedly increase their capital, I do not think we are justified in the belief that

even with this increased capital we shall get enough money to handle the immensely increasing business of Canada. We therefore propose as a reserve fund, if I may so call it, to allow the banks to have this power of issuing a special circulation to the extent and on the basis I have mentioned.

Mr. W. F. MACLEAN. How much would that be on the present capital of the banks?

Mr. FIELDING. The total paid-up capital is \$96,057,255. The total rest or reserve is \$71,071,984. These two items combined, the capital paid-up and the rest or reserve, make \$167,129,239. Fifteen per cent of this would amount to \$25,069,385. It is fair to say, however, that all the banks would not avail themselves of that privilege. Some of the banks are engaged in lines of business which move regularly and smoothly and probably they would not desire to engage in this crop movement business which calls for expansion. However that may be, it will be seen that the addition to the circulation last autumn of five or six million dollars was a great help and enabled us to tide over what would otherwise have been perhaps a serious difficulty in the west. We think that if we give the banks the power to issue this circulation we shall be doing something to meet a difficulty which has existed and which we may expect to exist in a less degree in the future. I do not expect that such a severe condition as that of last fall will occur very soon again. Our object in this is not to give the banks additional privileges, but additional means of meeting the country's demands, and we propose that on this extra circulation which they are to be allowed to issue they shall pay a tax to the government not to exceed 5 per cent. If banks are to handle the business—banks as a rule are not benevolent enterprises—they will expect a reasonable profit. They could afford to pay the government 5 per cent, in some conditions 4 per cent, if the market is favourable, and then lend the money to their customers at ordinary business rates. However, we do not feel that we should grant them this privilege for nothing, and we require them to pay a tax to the government not to exceed 5 per cent upon the circulation which is thus to be issued.

CHANGES IN EXCISE LAWS—TOBACCO.

We propose to make some important changes in the excise laws, but they are not intended to affect the revenue. We propose to readjust the taxation on tobacco. There is a well

known expression: Readjustment without increase. This, I think, is entirely a case of that kind. At all events, we do not aim at increase; we aim to so readjust the tobacco duties as to meet the conditions which have arisen, but without adding anything to the burden of taxation. The first object of the change will be to establish a uniform rate of licenses for tobacco manufacturers instead of the varying rates which now exist. The second object will be to carry a larger part of the burden of taxation on the raw leaf as it is introduced into the manufacture of tobacco; and the third purpose is to establish a uniform stamp for cigars. The resolutions bearing on that subject will be introduced by my hon. friend the Minister of Inland Revenue, and I shall lay them on the table at the conclusion of my remarks. But I may present at once a summary of the changes proposed. It will be observed that some of them seem to be very important, but they work out so as to leave the burden of taxation substantially as it is to-day:

MEMORANDUM ON TOBACCO DUTIES—EXCISE.

	Present Rates.	Proposed Rates.
	\$ cts.	\$ cts.
Chewing and smoking tobacco from imported leafper lb.	25	5
Manufactured tobacco from native leaf, per lb.	5	5
Snuff containing not more than 40 per cent of moistureper lb.	25	5
Moist snuff containing over 40 per cent moisture, in packages of less than five poundsper lb.	25	5
The same, in packages of five pounds and overper lb.	18	5
Cigars from imported leaf..per thousand	6 00	2 00
Cigars from native tobacco..per thousand	3 00	2 00
Cigars in packages of less than ten each, per thousand	7 00	3 00
Cigarettes from domestic leaf weighing not more than three pounds per thousandper thousand	1 50	2 40
Cigarettes from foreign leaf, weighing not more than three pounds per thousand, per thousand	3 00	2 40
Cigarettes from either foreign or native leaf, weighing more than three pounds per thousandper thousand	8 00	7 00
Foreign leaf tobacco, unstemmed..per lb.	10	28
Foreign leaf tobacco, stemmed....per lb.	14	42

It is not intended that this change of rates shall take effect immediately. It will be necessary for the department to equip itself with a quantity of new stamps to meet the new conditions; and in the resolutions I shall present it will be proposed that these rates shall take effect and go into operation by proclamation of the Governor in Council. As it is not intended that the burden of taxation shall be in any respect varied, it is thought that there will be no disadvantage in pursuing that course.

Mr. W. F. MACLEAN. Is there any change in the spirit duties?

Mr. FIELDING. No.

Mr. FOSTER. The minister has read us what he proposes as the rates, but he has not given us any reason for the changes.

Mr. FIELDING. I said the reasons were, first, a desire to have a uniform license instead of a varying license; in the second place, a desire to have a uniform stamp rather than the varying stamps they now use in the cigar trade; in the third place, the desire is to have the tax on the raw leaf rather than on the manufactured article. The taxation will be collected on the raw leaf to a larger extent than it is at present. This, we think, will be a convenience to the department, and it is in accordance with the wish of a large proportion of the people interested in the tobacco trade. However, I will put the resolutions in full on the table, they will appear on the Order Paper, and my hon. friend the Minister of Inland Revenue will deal with them at a later stage.

NO TARIFF CHANGES.

Coming now, in conclusion, to the question of the customs tariff, I have to say that we do not propose to make any changes in it at present. We made a revision of the tariff a year ago, and while I do not imagine that it is a perfect instrument, we think that on the whole it has worked well and is well adapted to the requirements of the country. Some industries have made representations that things are not quite as well in their line as they would like to have them, and they would be glad to have some change. I do not suppose that we shall ever reach a time when there will not be some persons who think that there should be a change, that present conditions are not all they wish. There is always a disposition to feel that when any business difficulty arises the proper remedy is to be found in a higher tariff. One would think that what is occurring across the line to the south of us would go far to dispel that old-time heresy. Over there they have the benefit, if it be a benefit, of a much higher tariff than we have in Canada. We know that the conditions of business over there during the past few months have been very much worse than they have been with us. However that may be, we think that the Canadian tariff is in a pretty fair condition, and we think that those who have made representations to us with a view to a change—in

some respects, possibly not in all—will find that as general business improves, as we think it will in a short time, their disadvantages will disappear and their industry will have all the encouragement that it reasonably requires.

One deputation came to us at the eleventh hour. Yesterday we were waited upon by a deputation of quite a number of gentlemen largely interested in the production of pork, who complained to us that the peculiar conditions existing at the present time in relation to their trade placed them at a disadvantage. They seemed to think that to some extent at least, that disadvantage arose from an evasion of the customs laws as respects the importation of foreign pork; and they seemed to think that if the customs laws were more rigidly carried out in respect to the dumping clause, they would get some measure of relief. Whether they are correct in their impression as to the cause of the evil is a matter to be inquired into. My hon. friend the Minister of Customs has taken that matter up with a view to looking into it very carefully, and if there has been any failure on the part of the customs to administer the law properly, I am sure the Minister of Customs will be glad to find a remedy. The production of pork, particularly of bacon and hams, has become in Canada a very large and important trade, and we should be very careful to see that everything possible is done to encourage it. I am hopeful that the result of the investigation by the Minister of Customs and of the application of the law, if necessary, in a stricter form, will give these gentlemen the relief that they desire.

Mr. W. F. MACLEAN. Does the minister mean by that that the Chicago article is now flooding the Canadian market?

Mr. FIELDING. The complaint made is that a considerable quantity is coming in and sold at prices that they cannot fairly compete with; they suggested that there was something illegitimate in the prices.

Mr. BRODER. Was the deputation composed of people outside the trade?

Mr. FIELDING. They were chiefly representing the farming interests, I believe, and I think some of the gentlemen were more or less connected with the packing trade, too. However, these representations came to us only yesterday, and I do not now say more than that they are receiving the careful consideration and attention of the government.

Mr. COCKSHUTT. Does the new French treaty have any effect on this trade?

Mr. FIELDING. No; the new French treaty is not yet in operation. But if I had any occasion to mention it, I should recall the fact that my hon. friend condemned the treaty and voted for it.

Mr. BENNETT. Is the House to understand that this was a representation of the farmers or of the pork packers that met the hon. minister yesterday?

Mr. FIELDING. I understand that the deputation was chiefly representing the farming interest. Although there were one or two gentlemen having some interest in the packing trade the farmers' interest was the one most strongly represented to us.

Mr. W. F. MACLEAN. Does the hon. the Minister think that Canadian packers would prefer to sell American products as Canadian products if they could bring them in here cheaply?

Mr. FIELDING. I think that the Canadian packers would not prefer to bring in American pork to sell as Canadian and to send it across the water and get the benefit of the great reputation that Canadian pork has. If that has been done I trust that between my hon. friend the Minister of Agriculture (Mr. Fisher) and my hon. friend the Minister of Customs (Mr. Paterson) there is some machinery to prevent it.

CONCLUSION.

Mr. Speaker, I think that the tendency in late years has been to let the House be content with a budget speech not so long as some of us have, in times past, imposed upon it and I thought that I would be content with a somewhat concise statement of the financial position of the country, and not having any tariff changes as respects customs to propose there is no reason why I should continue my remarks.

The fiscal period 1906-07 covered the nine months ended March 31, 1907. In the following tables, numbered 1, 2, 3, 4, 5, 6 and 10, for the purposes of comparison, the figures for 1906-07 have been extended to a twelve-month period by including the actual figures for April, May and June.

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Mr. W. F. MACLEAY

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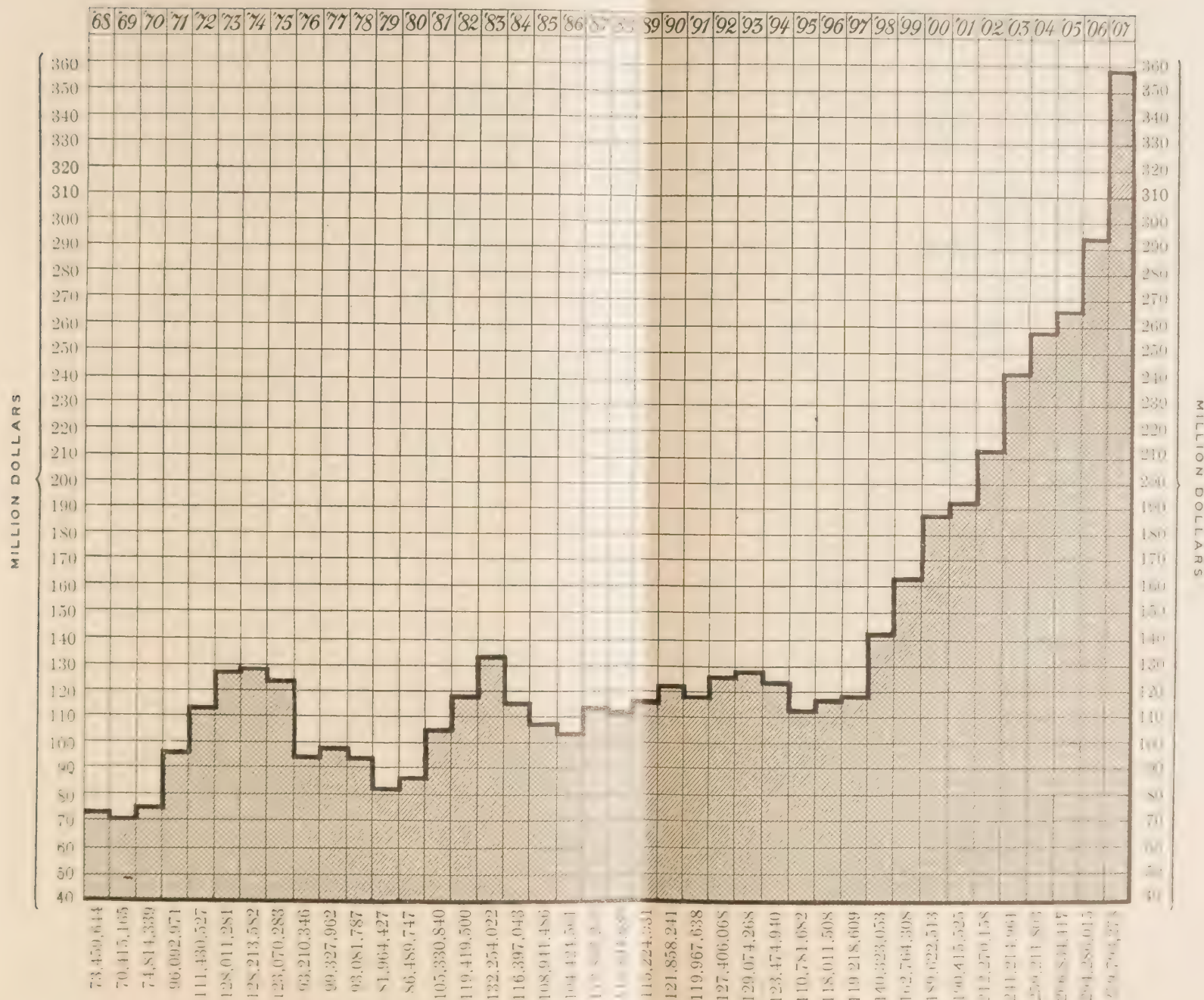
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DOMINION OF CANADA

TOTAL IMPORTS

FOR YEARS ENDED 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE,
SESSION OF 1907-1908

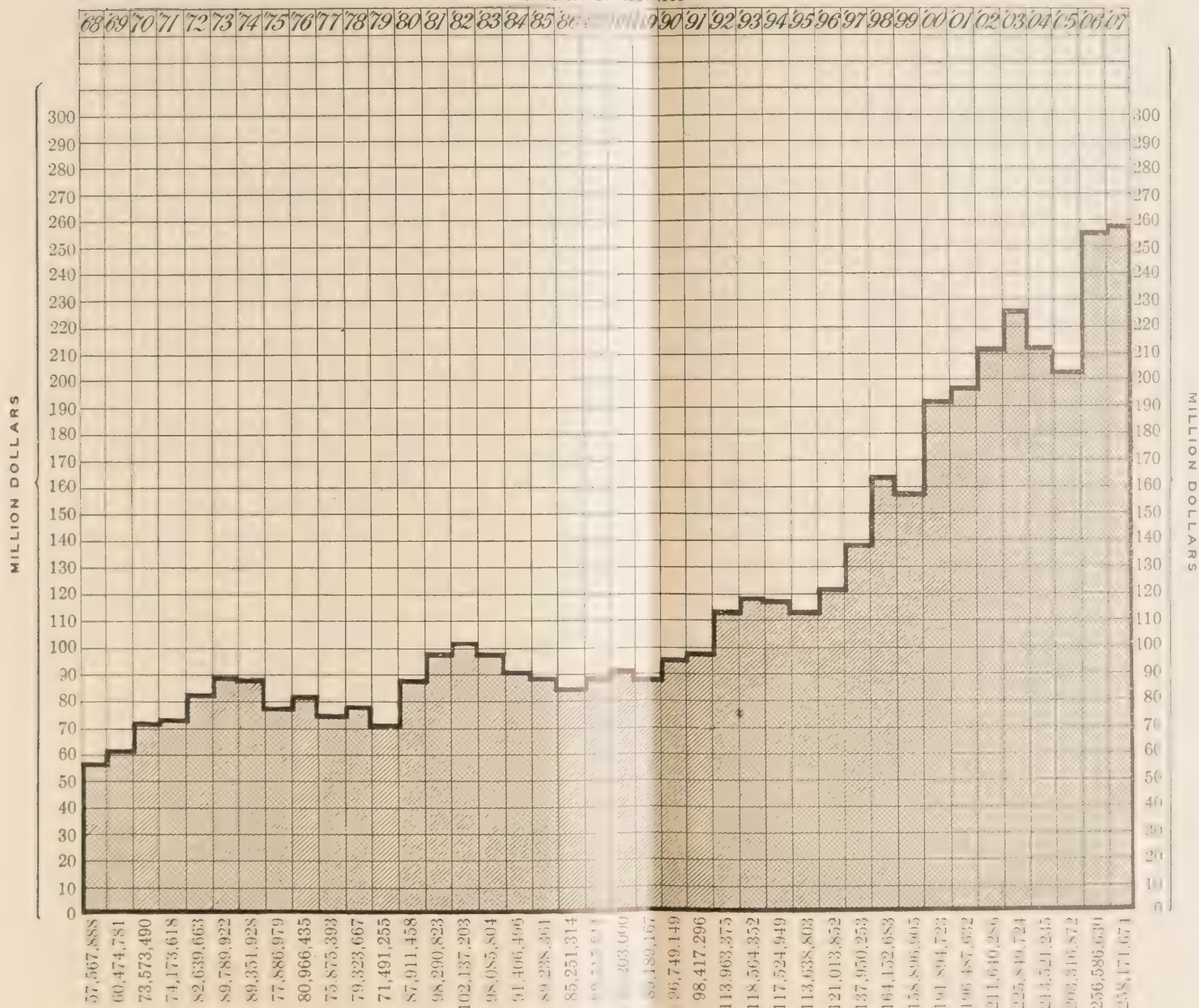


EACH SQUARE REPRESENTS \$10,000,000

DOMINION OF CANADA

TOTAL EXPORTS FOR YEARS ENDED 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE,
SESSION OF 1907-1908

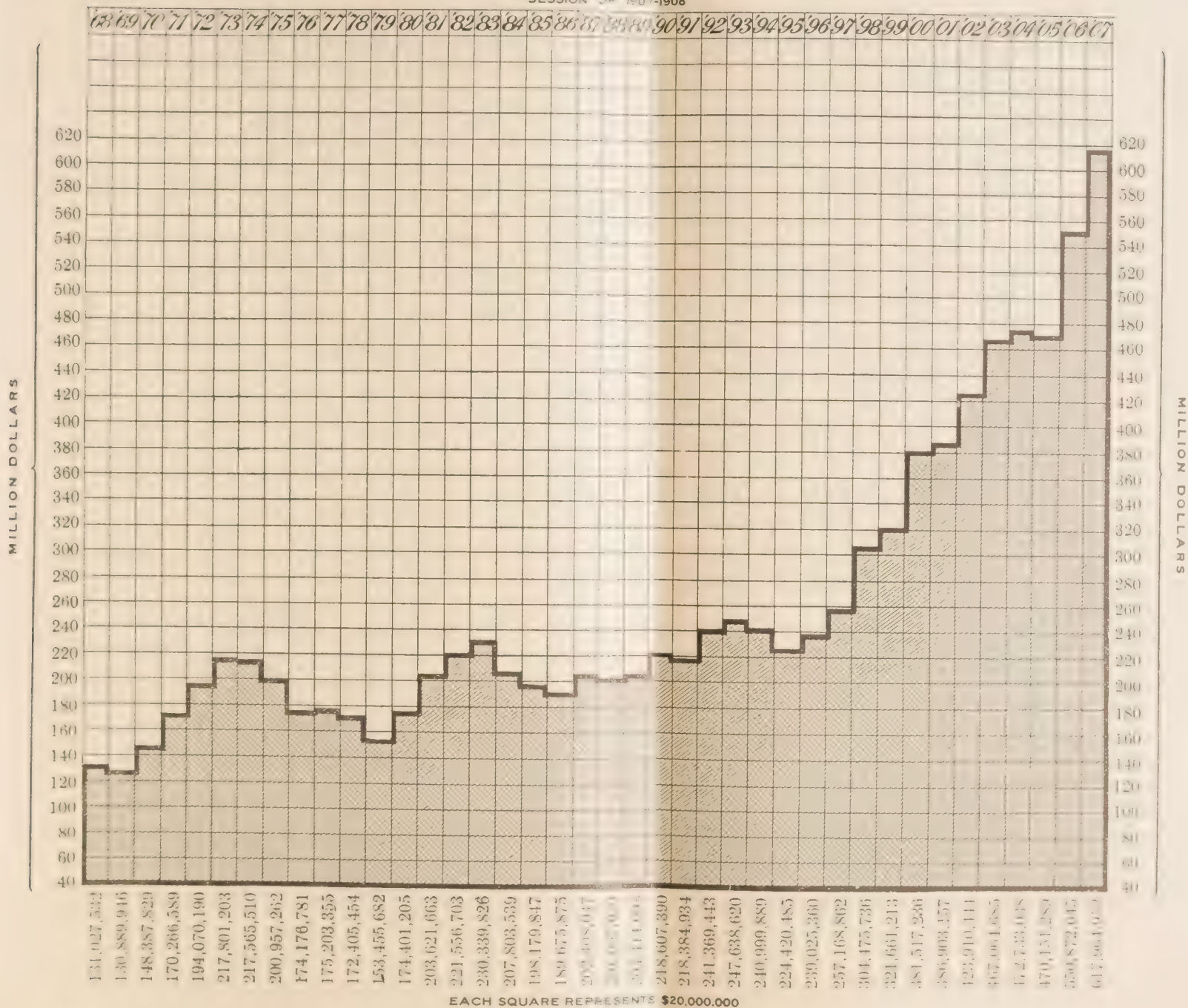


EACH SQUARE REPRESENTS \$10,000,000

DOMINION OF CANADA

TOTAL TRADE FOR YEARS ENDED 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE.
SESSION OF 1907-1908



DOMINION OF CANADA

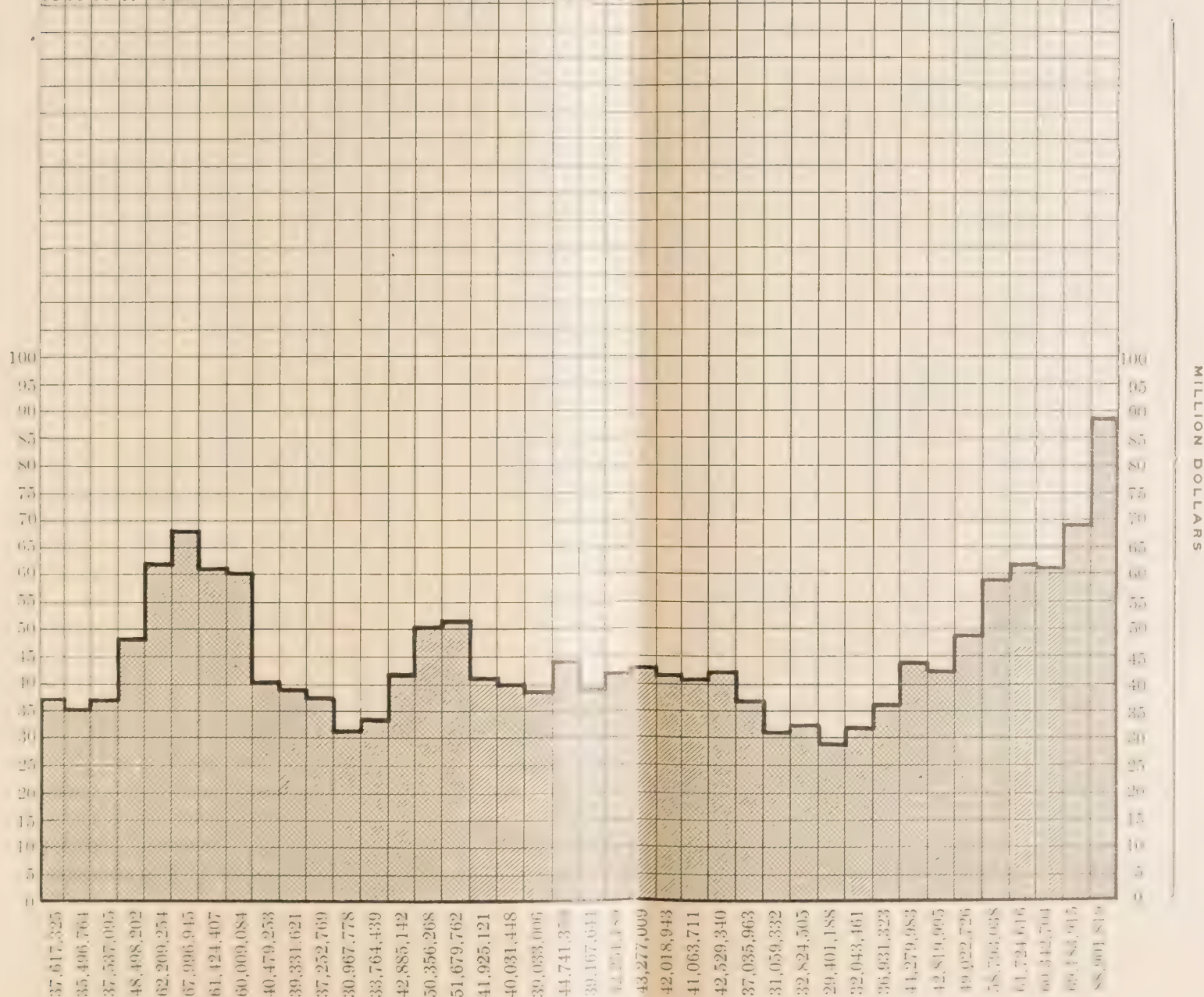
TRADE WITH GREAT BRITAIN

IMPORTS (HOME CONSUMPTION) FROM GREAT BRITAIN FOR YEARS ENDED 30TH JUNE

(COIN AND BULLION EXCLUDED)

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908

68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07



EACH SQUARE REPRESENTS \$5,000,000

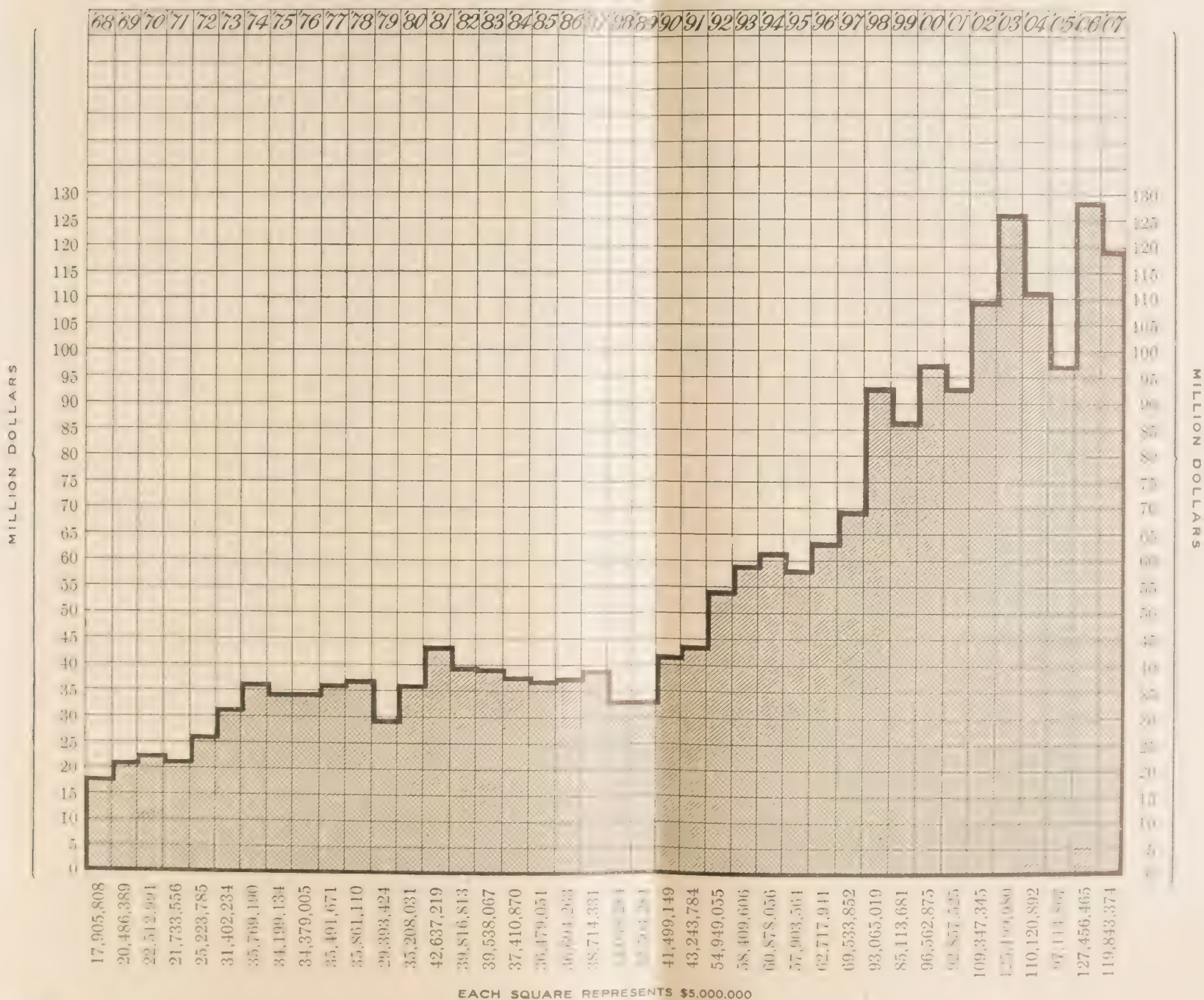
DOMINION OF CANADA

TRADE WITH GREAT BRITAIN

EXPORTS (PRODUCE OF CANADA) TO GREAT BRITAIN FOR YEARS ENDED 30TH JUNE

(COIN AND BULLION EXCLUDED)

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908

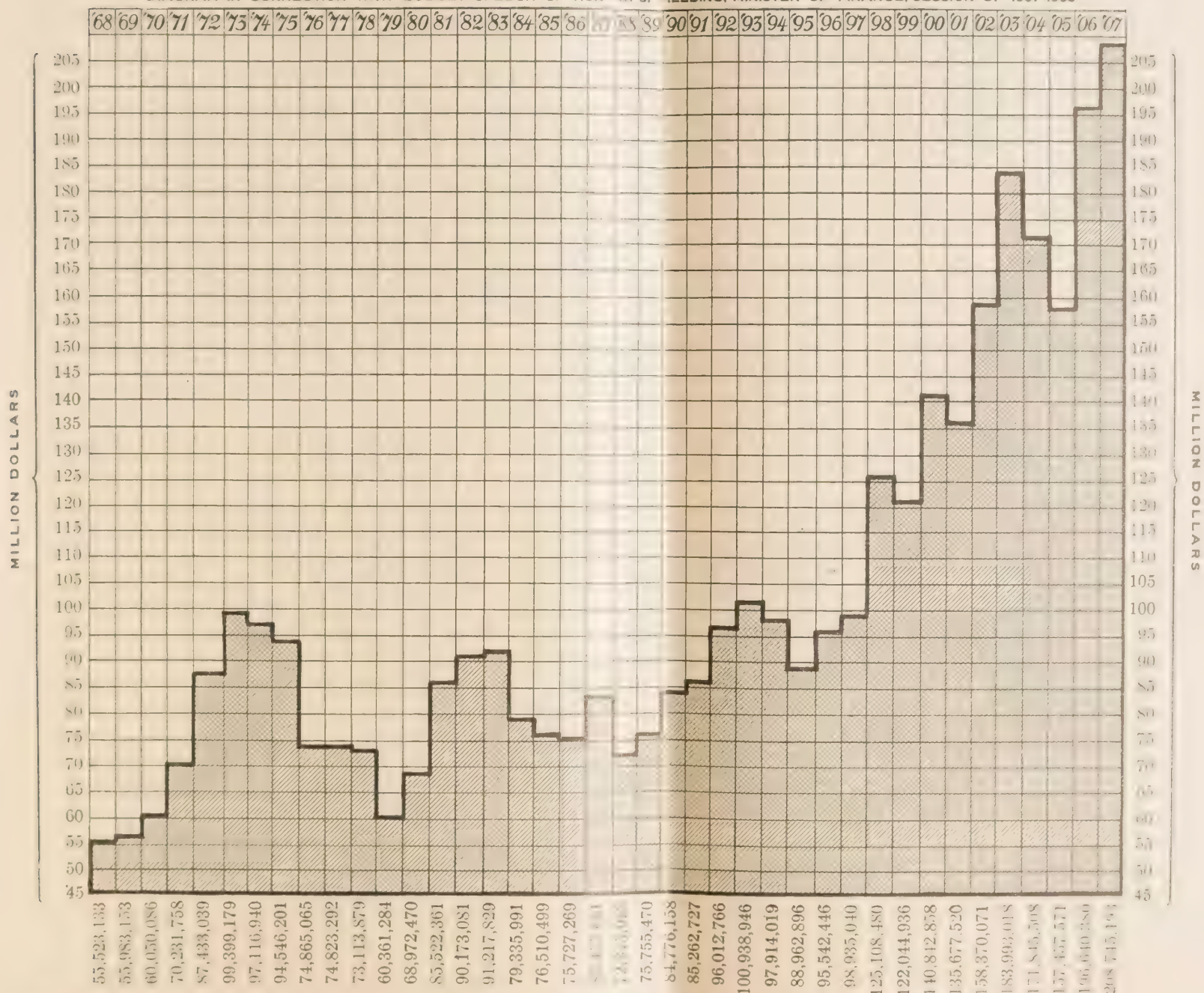


DOMINION OF CANADA

TOTAL TRADE WITH GREAT BRITAIN

IMPORTS (HOME CONSUMPTION) FROM GREAT BRITAIN AND EXPORTS (PRODUCE OF CANADA) TO
GREAT BRITAIN FOR YEARS ENDED 30TH JUNE
(COIN AND BULLION EXCLUDED)

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908

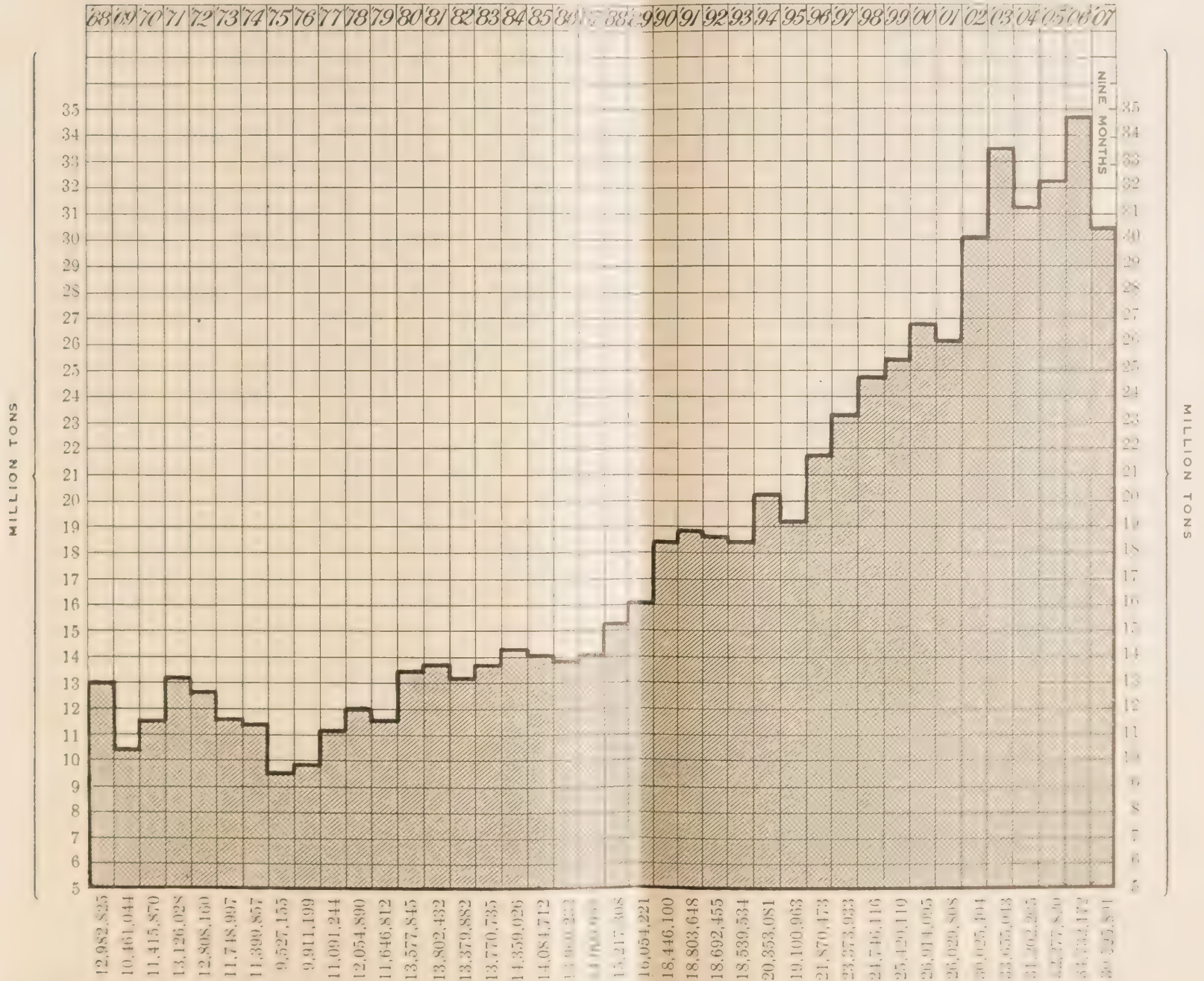


EACH SQUARE REPRESENTS \$5,000,000

DOMINION OF CANADA SHIPPING

TONS REGISTER OF ALL VESSELS ARRIVED AND DEPARTED. (EXCLUSIVE OF COASTING VESSELS)
DURING YEARS ENDED 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908

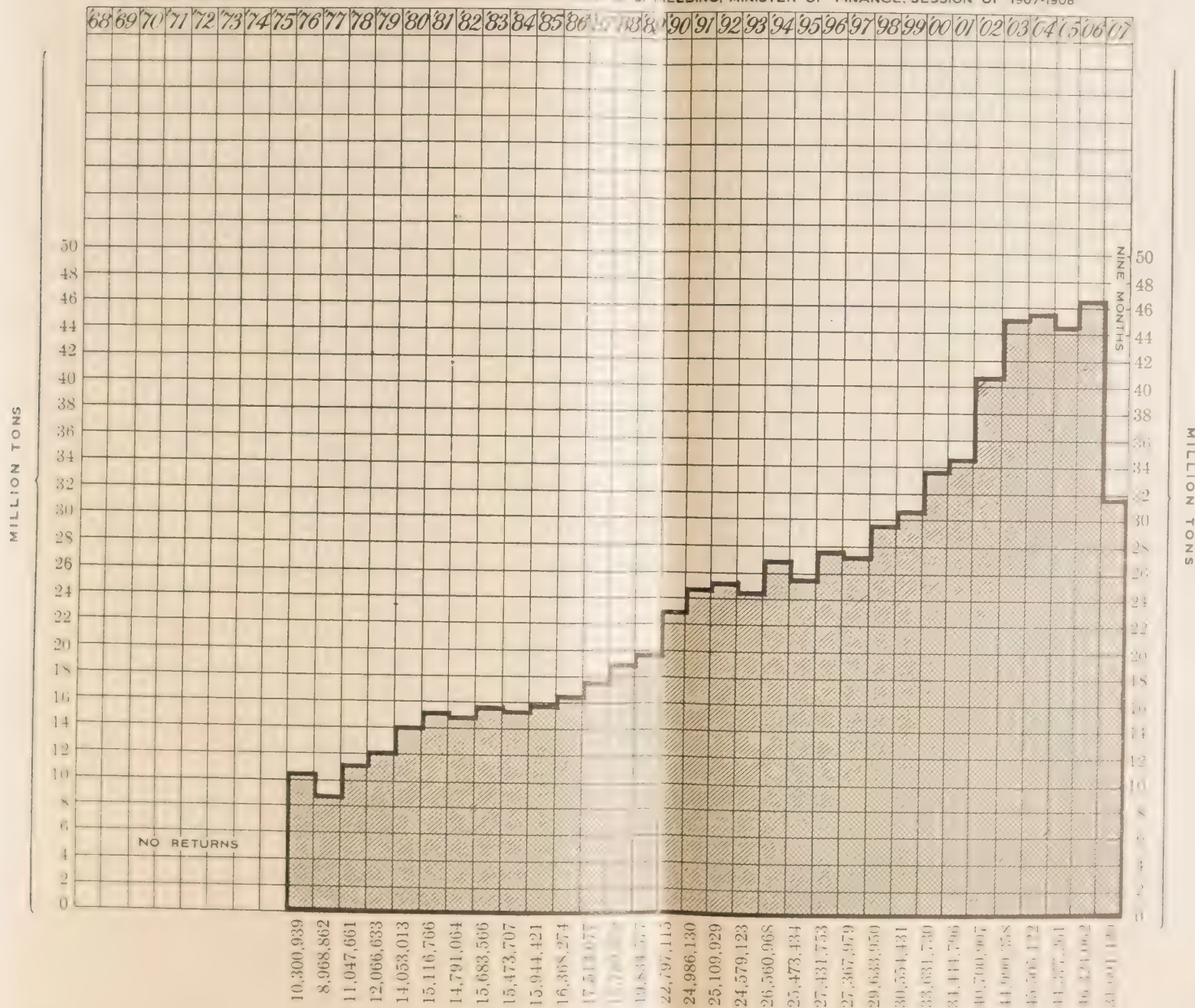




DOMINION OF CANADA COASTING TRADE

TONS REGISTER OF ALL VESSELS ARRIVED AND DEPARTED, EMPLOYED IN THE COASTING TRADE
DURING YEARS ENDED 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908



EACH SQUARE REPRESENTS 2,000,000 TONS

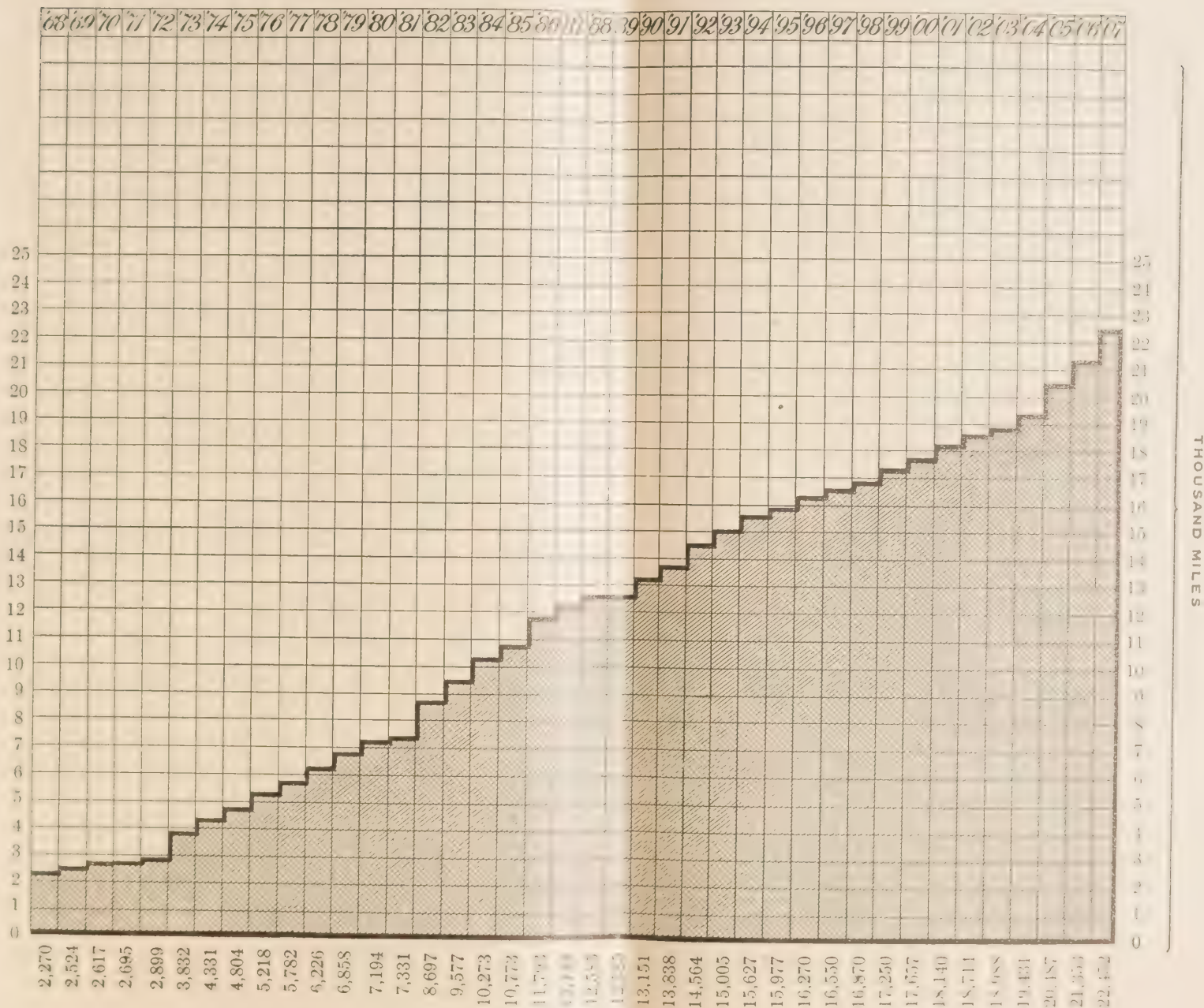


DOMINION OF CANADA

RAILWAYS IN CANADA

MILES IN OPERATION 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908



EACH SQUARE REPRESENTS 1,000 MILES

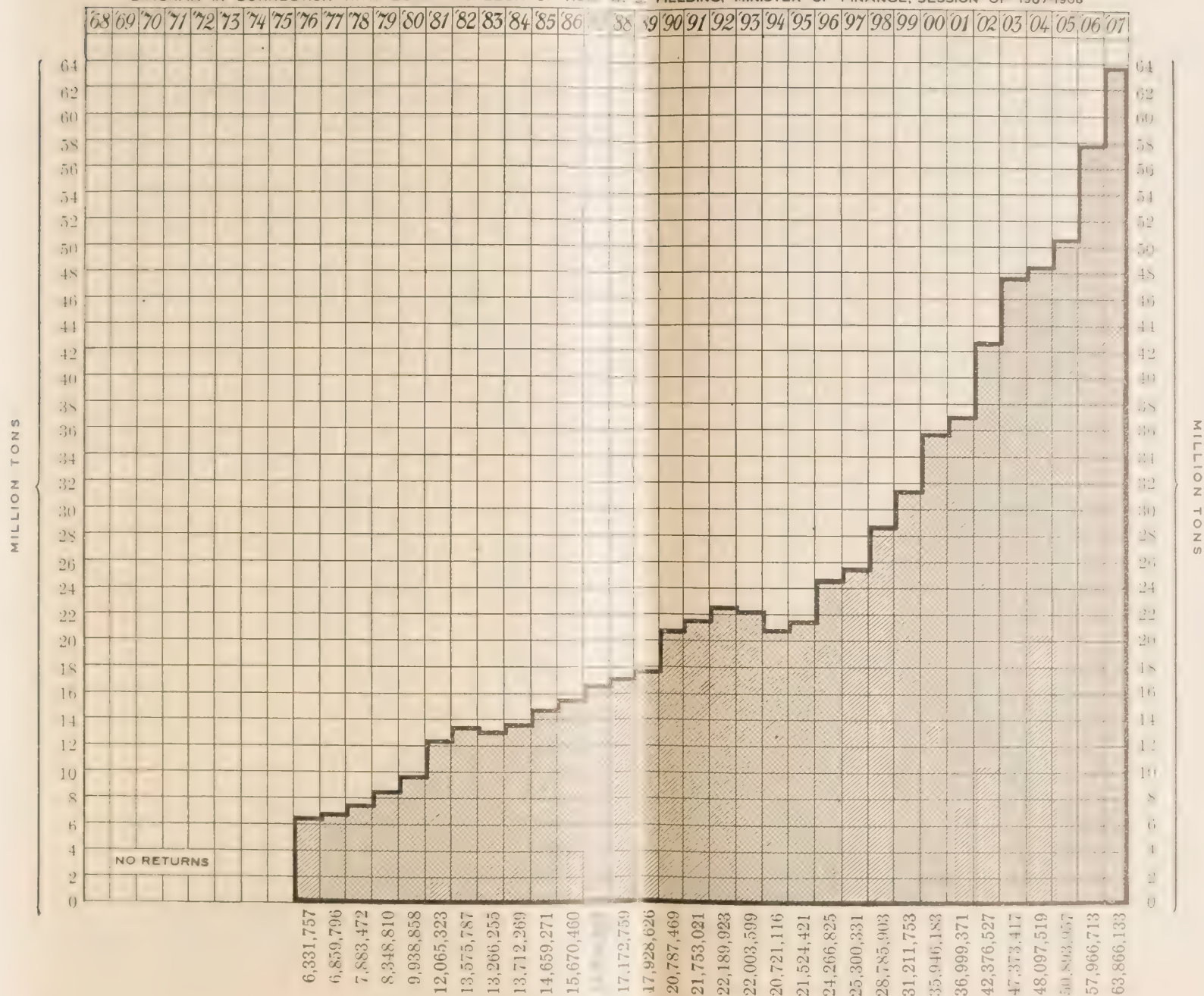


DOMINION OF CANADA

RAILWAY TRAFFIC—TONS CARRIED

DURING YEARS ENDED 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908



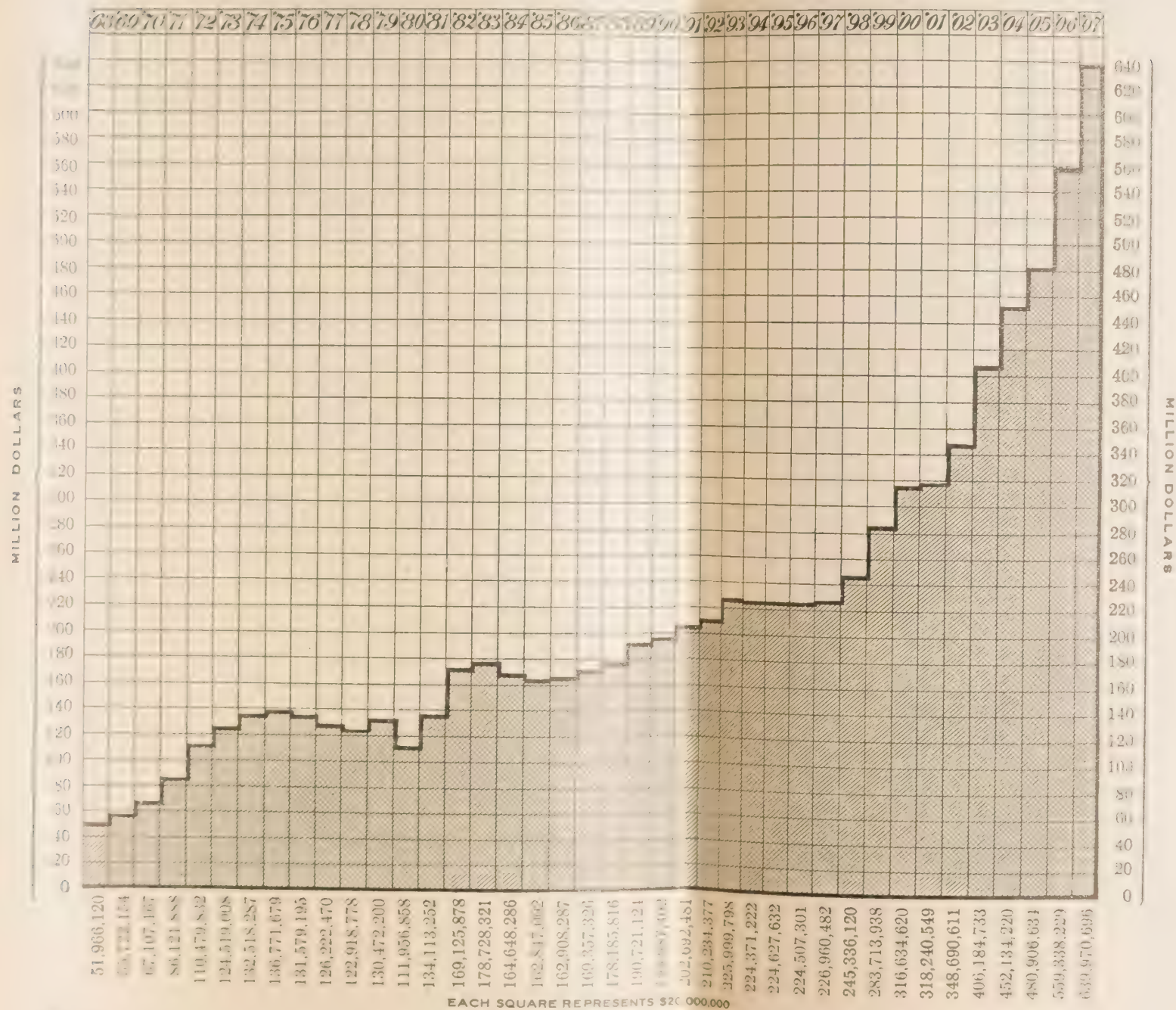
EACH SQUARE REPRESENTS 2,000,000 TONS

DOMINION OF CANADA

DISCOUNTS

AS SHOWN BY THE MONTHLY STATEMENTS OF THE CHARTERED BANKS OF CANADA
ON 30TH JUNE

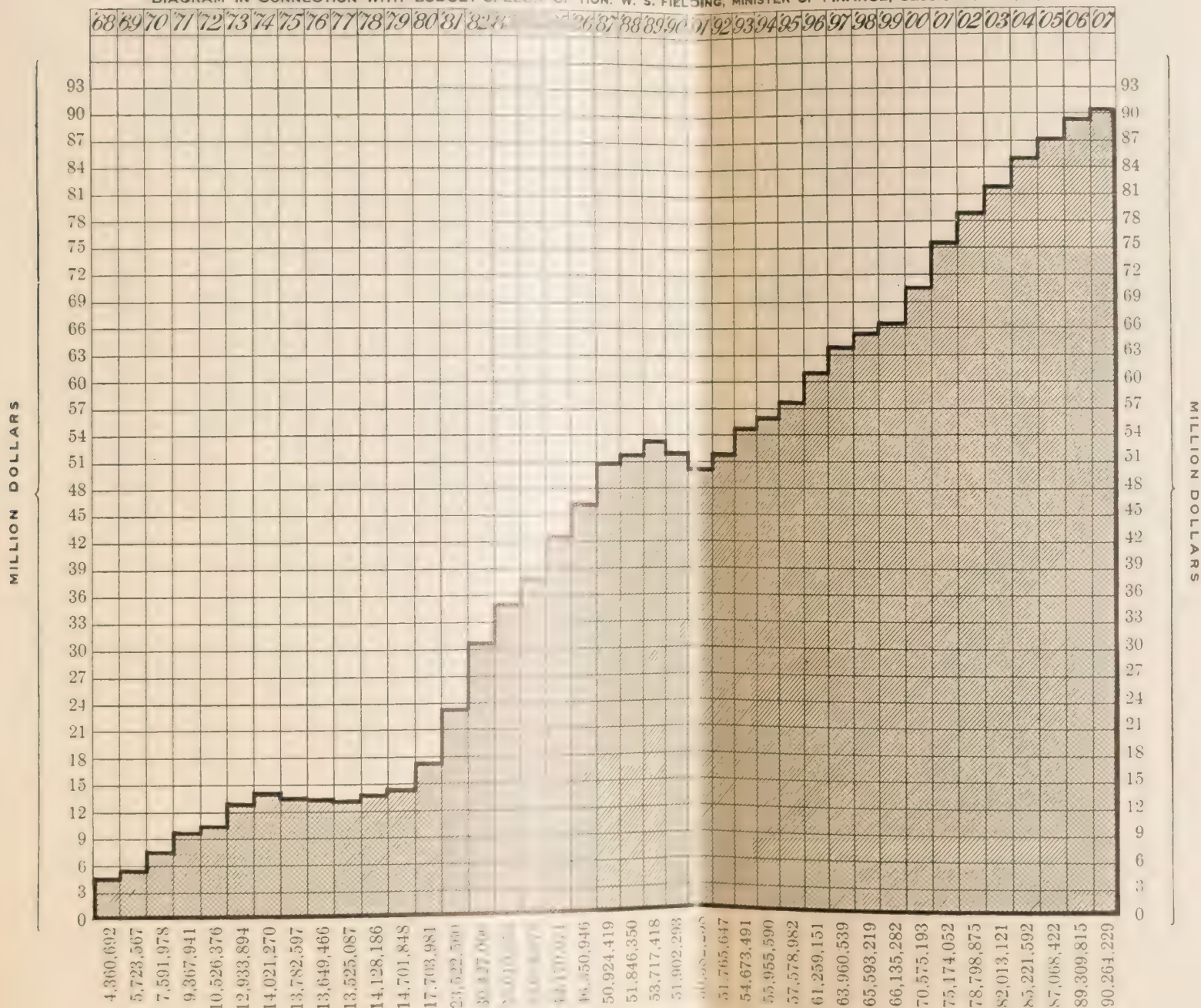
DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908





DOMINION OF CANADA
DEPOSITS IN SAVINGS BANKS OF CANADA
 INCLUDING POST OFFICE AND GOVERNMENT SAVINGS BANKS, CITY AND DISTRICT SAVINGS BANK, MONTREAL,
 AND CAISSE D'ECONOMIE, QUEBEC
 ON 30TH JUNE

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-08.



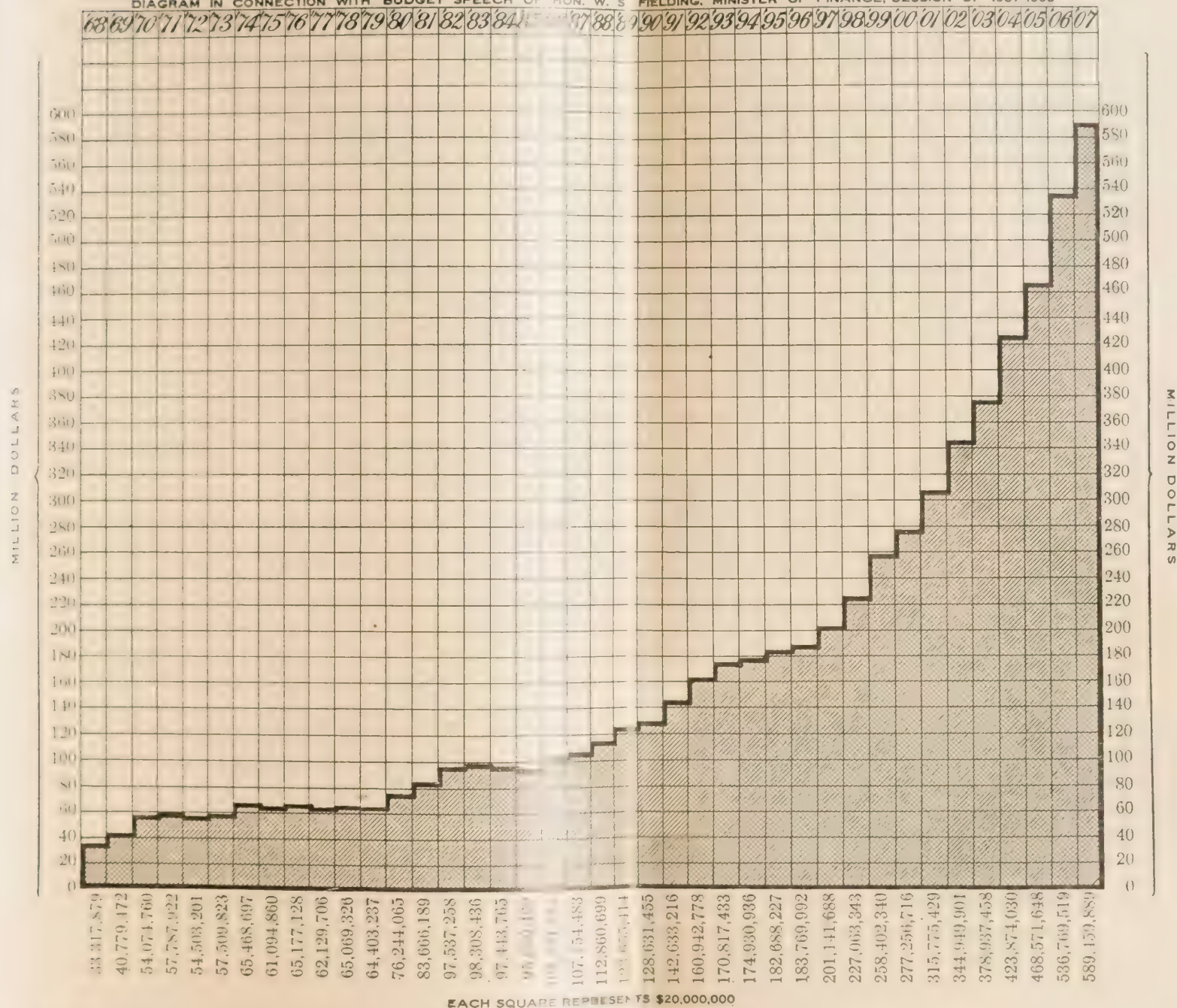
EACH SQUARE REPRESENTS \$3,000,000

DOMINION OF CANADA

DEPOSITS BY THE PEOPLE IN THE CHARTERED BANKS OF CANADA

ON 30TH JUNE

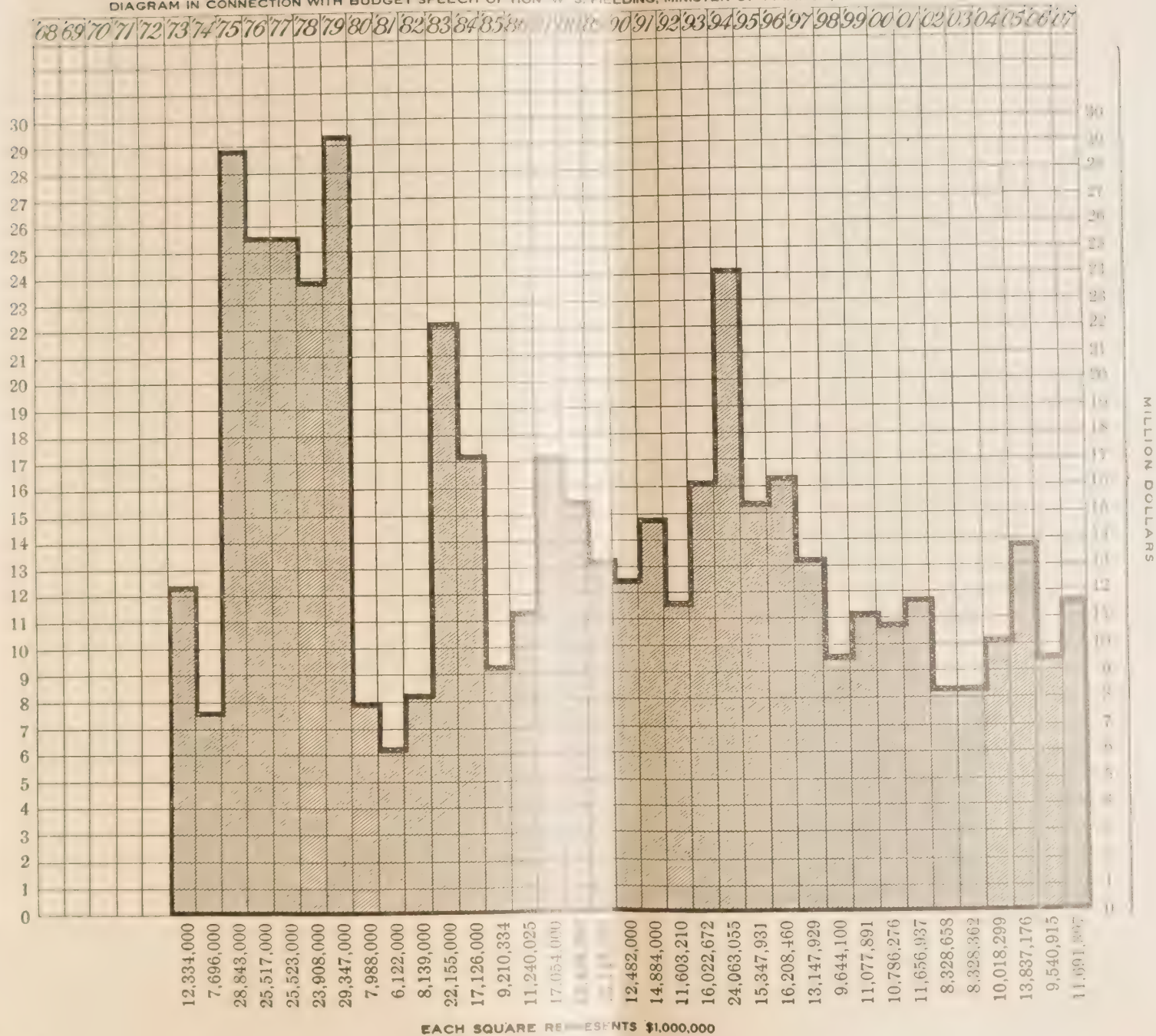
DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908



DOMINION OF CANADA BUSINESS FAILURES

(NEWFOUNDLAND INCLUDED TO 1894 INCLUSIVE)

DIAGRAM IN CONNECTION WITH BUDGET SPEECH OF HON. W. S. FIELDING, MINISTER OF FINANCE, SESSION OF 1907-1908





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(CANADA)

BUDGET SPEECH

DELIVERED BY

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HON. WILLIAM S. FIELDING, M.P.

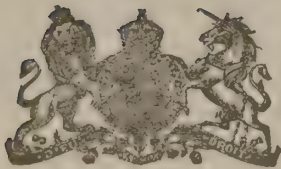
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, DECEMBER 14,

1909



OTTAWA

PRINTED BY C. H. PARMELEE, PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1909

CANADA

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, DECEMBER 14,

1909



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PRINTED BY C. H. PARMELEE, PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1909

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BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, DECEMBER 14, 1909.

WAYS AND MEANS—THE BUDGET.

Hon. W. S. FIELDING (Minister of Finance) moved that the House go into Committee of Ways and Means for raising the Supply to be granted to His Majesty. He said: At the last session of parliament, Mr. Speaker, circumstances obliged me to submit a budget which, not to use a stronger word, was not in all respects a very cheerful one. Perhaps it was because Ministers of Finance everywhere about that time found themselves in strenuous circumstances. Perhaps it was because it was my thirteenth budget and good luck could hardly be hoped for at such a time. However that may be, it is agreeable to me to be able to round out the baker's dozen under happier conditions and to come back once more to the old familiar story of general employment and prosperous trade, increasing revenues, liberal surpluses and generous appropriations for the public service.

FISCAL YEAR 1908-9.

The last fiscal year—1908-9, as we call it—the fiscal year ended on the 31st March last, was certainly not a very good year for Canada. There had been a financial depression in the autumn of 1907, a depression which was almost world-wide, and which, in the case of the republic to the south of us, became a financial panic. It would have been too much to expect that we could escape entirely the effects of that financial depression. We did feel it in Canada to some extent—happily to a much less extent than in the case of our neighbours to the south—but still we did experience it to some extent in Canada. It began

to show its effect upon our revenues in the closing period of the fiscal year, but the earlier part of the year was one of such great prosperity that, on the whole, the revenue proved to be a very excellent one; indeed, it was a record year. But, when we came to the new fiscal year beginning on the first of April, 1908, a year which ended on the 31st March last, we found that our revenues were very seriously affected. The revenue for the previous year, that which we call a record year, represented the great sum of \$96,054,505.81. But, when we came to close the year 1908-9 we found that we had received a total revenue of only \$85,093,404.35. There was thus a decline in the year's revenue of \$10,961,101.46, or nearly \$11,000,000, or to put it in another form, the falling off in the revenue amounted to $11\frac{1}{2}$ per cent. The revenue for the year was a little more than half a million of dollars greater than my estimate. The expenditure chargeable to income was \$84,064,232.38. This was over \$1,000,000 in excess of my estimate. I estimated the surplus at \$1,500,000. The actual surplus was \$1,029,171.97.

YEAR 1908-1909—CONSOLIDATED FUND.

	Actual.	Estimated Budget Speech, April 20, 1909.	Greater than Estimate.	Less than Estimate.
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Revenue.....	85,093,404 35	84,500,000 00	593,404 35	
Expenditure.....	84,064,232 38	83,000,000 00	1,064,232 38	
Surplus.....	1,029,171 97	1,500,000 00		470,828 03

REVENUE 1908-9.

A statement of the sources of our revenue will be interesting for the moment, as showing wherein the failure took place. In customs there was a decrease of \$10,130,474.80, and in excise there was a decrease of \$844,383.66. The post office continued its career of prosperity and had an increase of \$293,737.07. When other departments fail somewhat we are always able to turn to the post office and note the happy change that has taken place. In former years there was high postage, limited accommodation and heavy deficits. In recent years there is cheaper postage, more generous accommodation and always a liberal surplus. In the case of Dominion lands we had an increase of revenue of \$269,634.73. Miscellaneous revenues showed an increase of \$93,793.97, and railways showed a falling off of \$643,408.77. The chief decline, of course, was in customs. There was a fall-

ing off in excise and diminished business led to a diminished traffic on the railways, and in consequence diminished receipts.

SOURCES OF REVENUE.

Source.	Amount.	Increase, 1907-8.	Decrease, 1907-8.
	\$ cts.	\$ cts.	\$ cts.
Customs.....	47,413,336 45		10,130,474 80
Excise.....	14,937,768 02		844,383 66
Post office.....	7,401,623 93	293,737 07	
Dominion lands.....	2,153,254 61	269,634 73	
Railways.....	8,691,187 43		643,408 77
Miscellaneous.....	4,296,233 91	93,793 97	
	85,093,404 35	657,165 77	11,618,267 23
			675,165 77
			Net decrease..... 10,961,101 46

Or a decrease of 11·4 per cent as compared with 1907-8.

EXPENDITURE 1908-9.

Coming now to the expenditure, we find that the total expenditure for the year 1908-9, chargeable to income, was \$84,064,232.38. This was an increase of \$7,422,780.79 over the expenditure of the previous year. These increases were principally in the following departments:—

Public Works chargeable to income.....	\$ 3,578,857 07
Interest on public debt.....	630,987 35
Civil government.....	1,194,849 45
Legislation.....	392,718 30
Miscellaneous.....	626,150 44
Ocean and river service.....	320,583 57
Post Office.....	586,456 66

The item with reference to civil government was partly an increase and partly a re-arrangement of charges which were transferred to the civil government item. The increase in the item of legislation included the expenses of a general election. The increase in miscellaneous included a grant of \$300,000 to the Battlefields Commission and a grant of \$100,000 for the relief of the sufferers by the earthquake in Italy.

Our revenue being \$85,093,404.35 and our expenditure chargeable to income being \$84,064,232.38, it left a surplus of \$1,029,171.97.

Coming now to the question of capital and special charges for the year 1908-9 we find they were as follows:—

CAPITAL AND SPECIAL CHARGES AND INCREASE OF DEBT 1908-9.

National Transcontinental Railway.....	\$24,892,351 23
Quebec Bridge.....	6,424,781 00
Railways capital.....	4,529,052 72
Canals capital.....	1,873,868 45
Public Works capital.....	2,832,295 29
Dominion Lands capital.....	797,746 74
Militia capital.....	1,243,071 54
Total capital expenditure.....	\$42,593,166 97

To these must be added the following special charges:—

Railway subsidies.....	\$ 1,785,887 39
Bounties.....	2,467,306 95
Charges of management loan account.....	1,854,488 41
Various transfers.....	221,311 50
Total.....	\$48,922,161 22

Deduct from this:—

Surplus of.....	\$ 1,029,171 97
Sinking fund.....	1,922,525 20
Refunds.....	1,044 72
	<u>2,952,741 89</u>

Increase of debt.....\$45,969,419 33

That was the largest increase of debt that has taken place in any year since I have had the honour of dealing with the finances of the country. I had estimated that the net debt would be increased during the year by \$46,000,000; the actual increase was \$45,969,419. The Transcontinental railway and the Quebec bridge represent of this debt \$31,317,132.23. The remainder of the increase of the debt was caused by other expenditures on capital and special account. In former years we had been able to provide for most expenditures of that kind out of our income, but last year, with a falling off of \$11,000,000 in our revenue, it was not possible to provide for these without some addition to the public debt.

FISCAL YEAR 1909-10.

Coming now to the current fiscal year, 1909-10, I am glad to be able to have a more cheerful story to tell. There are still three and a half months of the year to run and the books of account do not close until some considerable time after the end of the fiscal year, so that it is difficult to make more than an approximate estimate at the present stage. It is, however, gratifying to us all to know that the unfavourable conditions of the former year have passed away. There has been a very gratifying recovery; we have been blessed with abundant harvests; in almost every department of labour in which our people are engaged there has been increased activity; we have recovered the lost ground in our revenue and we are now moving forward to even higher records. The revenue for 1909-10—that

is the current year—to December 1, was \$64,656,509.92, which represents an increase over the revenue for the corresponding period of the previous year of \$9,541,282.75. Thus in eight months we have gained nine and a half million dollars of revenue over the figures of the corresponding period of the past year, which represents an increase of about \$1,200,000 per month. The revenue for the last four months of the previous year amounted to \$29,978,177.18. If we assume that we shall receive for the remainder of this year the same amount as we received during the corresponding period of last year this will make our revenue for the entire current year \$94,634,687.10. But we may reasonably assume that there will be some further increase during these remaining four months; and just what the amount of that increase may be is a point upon which I would speak with some caution. Hitherto in our comparisons between the present year and the next preceding year we have been comparing the figures of to-day with the lean period of a year ago, but about this time last year the business began to improve. The last months of the preceding fiscal year were months showing some improvement, and therefore we cannot expect that during the remaining four months (or rather three and a half months) of the year, there will be as rapid increase as we have observed during the eight months. At all events, there will undoubtedly be some increase. For the remaining period of the year, up to the 31st March—being four months as in the figures I present and about three and a half months actually from to-day—I propose to allow for an increase of \$2,800,000. On that basis our revenue for the current year will approximate \$97,500,000, or nearly one and a half million dollars better than the record year of 1907-8. I think my estimate is a safe one. It may be too conservative; it is quite possible that during the remaining four months of the year we shall make a greater increase than that I venture to anticipate. It is quite possible that we shall come near the one hundred million dollar mark during the present year, but I do not think it is safe to estimate quite that at present.

EXPENDITURE 1909-10.

Coming now to the question of our expenditure during the current year: It will be remembered that in view of the falling off in our revenue and the general check that had occurred in the business of the country, at the last session of parliament we severely pruned our estimates and appropriations, and many meritorious works which we would gladly have dealt with under more favourable conditions had to be laid aside.

Our expenditure on consolidated fund for the year 1908-9 was a little over \$84,000,000. I estimate that in the current year the expenditure chargeable to income will not exceed \$81,000,000. That is to say, we shall have a reduction of expenditure chargeable to income in the present year of \$3,000,000 as compared with the figures of the preceding year. And, so, as respects the finances of this year, the dominant note of the budget must be in the first place a large increase in revenue and in the second place a very substantial reduction in expenditure.

SURPLUS, 1909-10.

With a revenue of \$97,500,000, which, as I have stated, is on a conservative basis, and an expenditure chargeable to income of \$81,000,000, I estimate that there will be a balance this year, by way of surplus, amounting to sixteen and a half million dollars. I shall not be surprised if the expenditure proves a little less and the revenue somewhat more, which, of course, would give us a somewhat larger surplus.

CAPITAL AND SPECIAL EXPENDITURE, 1909-10, AND TRANS-CONTINENTAL RAILWAY.

Now, we come to the question of the capital and special expenditure during the current year. There was voted by parliament for capital services during this year \$30,484,739.54, and the corresponding appropriation for the preceding year 1908-9 was, \$43,372,488.33. This shows a very large reduction in our appropriation. Of the capital appropriation for the current year 1909-10, the sum of \$20,000,000 was assigned to the National Transcontinental railway, and we have reason to believe that that amount will all be spent or substantially so. Of the balance of appropriations of that class, namely, \$10,484,739.54, it is expected that probably \$10,000,000 will be spent. We must then add railway subsidies, bounties, and other special charges, which I estimate at \$5,500,000.

Thus, the total capital and special charges for the year would amount to \$35,500,000. The estimated reduction on consolidated fund expenditure is \$3,064,232; the estimated reduction on capital and special expenditure is \$13,422,161 so that our total expenditure of this year as compared with the expenditure of the previous year will show a reduction of \$16,486,393.

The capital and special expenditure of the year will probably amount to \$35,500,000. If we deduct from this our surplus of \$16,500,000 and sinking funds, \$1,250,000, making \$17,750,000, this will represent an increase of debt at the close of this current year, if my estimate is correct, of \$17,750,000.

This will be \$2,250,000 less than our expenditure on the Transcontinental railway. May I repeat here a remark I made in the last budget speech I had the honour to deliver, as indicating the financial policy which we hope to pursue during the year. I then said:

We think that our aim ought to be—and we shall endeavour to accomplish it as far as possible—to provide out of our revenue during the year now opening for all the ordinary expenditure and for a considerable part of our capital expenditures, if possible even for all of them. There is one work as to the wisdom of borrowing for which there can be no question, and that is the Transcontinental railway. If we can succeed in keeping down our borrowing for new work during the coming year to the sum which we wish to expend on the Transcontinental railway, I am sure we shall have a very good statement to present. I do not know that we can accomplish this, but it is to be our aim, and I am sure that, if for the work of the year we have to borrow any sum in excess of that required for the Transcontinental railway it will not be very large.

I am glad to be able to say that the aim which we then set forth has been reached. We shall provide, as we believe, because we are dealing with a year not yet closed, out of our income for all the ordinary expenditure, for all the capital and special expenditure other than the Transcontinental railway, and we shall also be able to provide out of our revenue two and a quarter million dollars towards the National Transcontinental railway expenditure. Thus while we shall spend \$20,000,000 on the Transcontinental railway we shall only add seventeen and three quarter millions to the net debt of the country. Putting it in another form, if we did not have this large and exceptional work to deal with, we would, within the year, reduce our public debt by two and a quarter million dollars.

Mr. SPROULE.—What about the surplus of one year building it?

Mr. FIELDING.—That was a pipe dream of my hon. friend.

Mr. FOSTER.—The hon. member (Mr. Sproule) does not smoke.

Mr. FIELDING.—Then he and I do not contribute much to the revenue in that direction. I hope he makes it up in some other way.

FISCAL YEAR 1910-11.

Turning now to the year 1910-11, as we call it in our accounts, the year beginning on the 1st of April next, hon. gentlemen will observe that it is quite far away and it will be difficult for us to attempt any close estimates. All I would care to say as respects that year is that we are very hopeful that we shall be able to repeat the policy of the present year with respect to keeping down the increase of debt. With the

improvement in our revenues we have, of course, properly made more generous provision for the public service, but we hope and believe that the increasing revenues will justify that, and we look forward with strong expectation, as far as we can deal with matters so far in the future, that our year's operations will enable us to provide out of revenue for our ordinary expenditure and for that portion of our capital and special expenditure outside the Transcontinental railway. I think it is a fair ground for us to take that in the case of a great national work like the National Transcontinental railway and the Quebec bridge, now virtually a part of the Transcontinental railway, it is not unreasonable that we should expect to go on the money market and borrow, but that not only for our ordinary expenditure, but also for smaller expenditures of a capital character, we should endeavour to make provision out of our ever-increasing revenue.

Mr. R. L. BORDEN.—Reckoning up to the end of the fiscal year on which we have just entered, that is the year ending March 31, 1910, what will be the total expenditure on the National Transcontinental railway.

Mr. FIELDING.—The Transcontinental road, including the Quebec bridge, now virtually a part of it, will represent at the close of this fiscal year, \$58,391,263.94.

Mr. R. L. BORDEN.—Is that to March 31, 1909, or March 31, 1910?

Mr. FIELDING.—That will be at the end of the last fiscal year and will not include the expenditure of the current fiscal year.

Mr. R. L. BORDEN.—My question related to the current fiscal year.

Mr. FIELDING.—We are spending this year \$20,000,000.

Mr. R. L. BORDEN.—That would amount then to about \$78,000,000 up to the end of the current fiscal year, ending March 31, 1910?

Mr. FIELDING.—Yes.

Mr. FOSTER.—Is it intended to complete the building of the Transcontinental railway at the time already stated, that is at the end of 1911, or is it proposed to go slower? Is any provision to be made for the construction of the Hudson's Bay railway?

Mr. FIELDING.—The estimates before parliament include a sum for the further survey of the Hudson Bay railway route. They do not at present include any sum for construction. If

it be determined that the matter is advanced to a sufficient point to call for a vote for construction, that vote will have to come in the supplementary estimates. As to the completion of the Transcontinental railway, I think we have everything to gain by pushing it to completion. The Minister of Railways will have to deal with that at a later stage, but I think we shall rush that as quickly as possible and for that reason we are taking a very liberal estimate of \$27,000,000 for the coming fiscal year.

Mr. R. L. BORDEN.—Has the hon. gentleman made any estimate of what amount will be required after the conclusion of the present fiscal year to complete and discharge all our obligations in respect of the National Transcontinental railway?

Mr. FIELDING.—I have not included it in this statement, but the Minister of Railways (Mr. Graham) will have a statement at a later stage which will deal with that as with Transcontinental affairs generally.

With regard to the revenue for the coming fiscal year, I think we need have no hesitation in saying that if we do not reach the \$100,000,000 mark during the current year, we shall certainly do so in the coming year, and I believe that with the large and increasing revenue we will be able to provide for our ordinary expenditure and for that portion of our capital expenditure which does not refer to the National Transcontinental railway. I would not like to speak with too much confidence on that item, as it is the future, but at all events that is the policy I would desire to pursue if the finances will enable us to do so.

TRANSFER TO INCOME OF MILITIA CAPITAL AND DOMINION LANDS CAPITAL.

It will be observed that in the estimates for the coming year we have transferred from capital account to income account several items which for a number of years have been charged to capital account. One of these items is in regard to arms and ammunition for the militia. It has been customary, under both governments, to charge that item to capital account. In like manner, Dominion lands have been charged to capital account. I think the objection to that system may most strongly be taken in the case of Dominion lands, for we charged the expenditure in connection with the lands to capital account, while the entire receipts have always been taken into the general income for the year. In both these cases we have been following the practice of the past. I think in these cases it will be well to make a change, certainly in the case of Dominion lands. No particular reference that I am aware of

has been made to that in the past and our method of dealing with these items has been precisely the same as that of preceding governments.

It will also be observed that in the appropriation we are taking for naval expenditure the charge is to be made against income. I do not wish to discuss that branch of the public business to-day, for that comes later in the hands of another minister. But it will be admitted, I think, that if we should charge the construction of ships to capital account, charging to income only the annual interest thereon and a reasonable sum for depreciation, we might justify ourselves in doing so. However, as this expenditure, which will be quite a large one, will be distributed over several years, I think we may properly charge it to income. The expenditure of the year will be charged to the revenue of the year, and we shall not be obliged to add anything to the public debt on that account.

Mr. FOSTER.—Do I understand the hon. gentleman to say that he proposes to charge to current account the construction of naval vessels?

Mr. FIELDING.—That is my proposal in the estimates for the coming year. Of course, if we had to propose the whole cost of these vessels in one year, it would be a sum which our income would not bear; but as the expenditure will necessarily have to be distributed over several years, I think it is proper to charge it to income from year to year.

Mr. FOSTER.—The principle is the same.

Mr. FIELDING.—The principle is exactly the same.

BOUNTIES.

Mr. FOSTER.—While my hon. friend has been listening to better counsels in this matter, has he come to a conclusion to adjust the bounties as well?

Mr. FIELDING.—I am glad my hon. friend has called attention to that. We have discussed from time to time the question of charging these bounties to capital account. My hon. friend is probably aware of the view which I have expressed from time to time, that the bounty is on all fours with the payment of railway subsidies, which in the time of my hon. friend as well as in our time have been charged to capital or special expenditure. When you pay a railway subsidy to the Canadian Pacific, the Grand Trunk, the Canadian Northern, or any other railway company, you have nothing to show for your money. The railway belongs to the company. Nevertheless we charge the subsidy to capital. If you pay bounties for the temporary

assistance of a great industry, you have nothing immediately to show for your money. The property is the property of the company, and the bounty has gone into the treasury of the company, as in the case of the railway subsidy. But you believe that good has come to the country through the development of its trade and commerce, and that is the justification of the bounty.

Mr. FOSTER.—How about steamship subsidies?

Mr. FIELDING.—I have never been able to regard steamship subsidies as merely temporary, for they go on from year to year. The theory of our bounties is that they are temporary aids. It is true, they have lasted somewhat longer than some of us expected; but they stand in the same relation to the country as railway subsidies. In neither case have you any visible property to represent the money paid, but in both cases you get your return in the general development of trade.

Sometimes these bounties are spoken of as if they had some relation to the question of a surplus or a deficit. Speaking generally, they have no such relation, except as to the volume of the surplus. In all the years that we have charged these bounties to capital or special account, except one, they would not have affected the question of a surplus or a deficit. The one exception was last year, when the surplus was a small one, and when, if we had charged the bounties to income, we would have had a deficit of \$1,400,000. But if you take all the years in which we have paid bonuses, the surpluses aggregated \$131,088,259, whereas the bounties during the same period have amounted to only \$18,822,751. Therefore while in one year the payment of the bounties out of income would have affected the question of a surplus, if you take the whole period it would not have affected the question of a surplus at all.

The chief bounties on iron and steel will expire on the 31st of December, 1910, that is, the bounties on pig iron, iron puddled bars and steel ingots. There is a bounty on wire rods which is not limited in time. There is a bounty on lead, which is limited to a term of years, and there is a bounty on oil, which is not limited. The chief bounties, however, are those paid to the iron and steel industry, and these will expire on the 31st of December, 1910. There is a provision in the Act that bounties for electric smelting may be extended for two years longer. When the bounties were last readjusted, we were assured that parties were about engaging in electric smelting, and as it would take some time to erect their plant, they asked for an extension of a couple of years, and it was granted. As no action has been taken under that provision of the Act, I

take it that the chief bounties on iron and steel will expire next year. Thereafter the bounties paid will not be very large, and whether we shall then charge them to income or to capital or special account, may be a matter to be fairly considered at that time.

REVENUE GROWTH RESULTING FROM BOUNTIES.

In this connection, I would like to invite the attention of the House to the question of what these bounties have accomplished. I know that with some excellent citizens of Canada the idea of bounties is not popular. More than once I have met people of the very best class who shake their heads over the idea. I think, however, that it can be clearly shown that the treasury of Canada has not lost one dollar from the payment of bounties. The iron and steel industries which have been established in the country have undoubtedly had a great effect in the development of the trade in Canada. Just how far the influence of a steel industry is felt may be a matter of debate. I have no doubt that hon. gentlemen have found many cases where business has been influenced favourably a long distance from the location of an iron and steel plant; I have found such cases myself; and it must be remembered that in all the principal trade centres of Canada vast quantities of goods have been purchased and sold to these steel ports, as I may describe them. The cities of Toronto, Montreal, Quebec, Halifax and St. John will all testify that their merchants have sold great quantities of goods to these steel making ports. The duties on these goods have been paid at Toronto, Montreal, Quebec, Halifax and St. John, as the case may be. It is not possible to measure just what these duties have amounted to, but they would not have been paid if there had not been the consumers of these goods at the steel ports. I do not think it is too much to say that millions of dollars have been paid into the Dominion treasury in that way at ports far removed from the steel ports themselves; and in considering what the government have received in return for the bounties, it would be well to bear that in mind. But suppose we put that aside, let us look at the condition of the revenue at the steel ports themselves. These I take to be Sault Ste. Marie, in Ontario, Sydney, North Sydney and Sydney Mines, in Nova Scotia, Glace Bay Mines, which supply the coal to the Sydney plant, New Glasgow, Nova Scotia, and Hamilton, Ontario. Now, Hamilton was an important city before the steel industry was established. Undoubtedly, Hamilton would have made very considerable progress even had there been no steel plant at that place.

Let us frankly admit that. But it must be admitted also that the steel works at Hamilton have had much to do with the development of the trade of that port. Qualify as you will the figures I am about to give as respects Hamilton, yet I think that all hon. members will agree that, as respects every other point which I have named, the increase in business is due directly to the development of the iron and steel industry. Every one of these communities was a small community before the steel business began; every one has grown to be a large and important community under the influence and development of the iron and steel business. I have here a statement showing the collections of customs revenue for two periods of ten years. The first period is that from 1890 to 1899, a period during which some steel bounties were paid, but during which the industry was in its infancy, and not very much progress had been made, except at New Glasgow, and even at that period New Glasgow had contributed very largely to the revenue by reason of her steel operations. We compare that period of ten years with the next ten years ending June 30, 1909:—

COMPARATIVE STATEMENT of Customs Revenue received at the following Ports during the ten years 1890 to 1899 both inclusive, and for the ten years from 1900 to 1909, both inclusive.

Ports.	Years 1890 to 1899, June 30.		Years 1900 to 1909, June 30.	
	\$	cts.	\$	cts.
Sault Ste. Marie, Ont.....	219,763	06	2,012,066	13
Sydney, N.S.....	153,115	50	1,645,759	22
North Sydney and Sydney Mines, N.S.	192,548	97	455,320	32
Glace Bay, N.S.....	31,976	66	469,663	49
New Glasgow, N.S.....	398,578	24	479,020	76
Hamilton, Ont.....	6,712,584	26	11,648,381	80
	7,708,566	69	16,710,211	72
Increase during years 1900 to 1909..	9,011,645	03		
	16,710,211	72		

Now, let us compare the amount paid in bounties with this increase in customs duty:—

Amount of bounties paid on pig iron, puddled bars, steel, manufactures of steel and wire rods during the ten years 1900 to 1909, both inclusive, \$13,377,268.

Amount of increase of customs revenue at the above ports during the same period, \$9,011,645.

Thus we see that nearly all that has been paid in bounties came back in revenue through the various ports I have named.

Qualify that a little, if you like, respecting Hamilton. On the other hand, consider the supplies purchased in Toronto, Montreal, Quebec, St. John, Halifax, that passed into consumption in these ports in which the iron and steel industry is established, and I believe I am justified in saying that every dollar that the people of Canada have paid out to the iron and steel business by way of bounties has been brought back directly to the public treasury in increased duties due to the stimulation of business.

Mr. MIDDLEBRO. Has the hon. minister any figures showing that the employees of these steel industries have come from countries outside of Canada? If not, how does he make it out that there has been an increase in the customs duties?

Mr. FIELDING. If, for instance, it can be shown that the employees of these industries came from the town the hon. member (Mr. Middlebro) represents, and others, and that, as consequence, the business of those towns decayed, there would be something in his argument. But if the business of his town has prospered and there is so much new business at Sydney, Sault Ste. Marie and these other places, I confess I do not see the force of his contention.

Mr. MIDDLEBRO. I think it should be the other way; unless the hon. minister (Mr. Fielding) can show that this increase is due to additional population coming from outside countries, he has not established his case. A man will eat and wear as much in one place as in another, and to move him from one place to another does not mean an increase of business.

Mr. FIELDING. As a matter of fact, a great proportion of these employees have come from other countries.

Mr. MIDDLEBRO. Has the minister any figures on that point?

Mr. FIELDING. I have not; but I know, as a matter of fact, that a very large percentage of the people employed in the steel industries at Sydney has come from outside countries.

Mr. MIDDLEBRO. I would grant that—

Some hon. MEMBERS. Order.

Mr. FIELDING. I have no objection; I desire to hear the hon. member.

Mr. MIDDLEBRO. I would grant to the hon. minister that if he could show that the increase of employees due to the steel business represents an increase of our population from outside points, his argument is tenable; but, if they come from other portions of the country, we have a right to assume that they would have eaten and worn as much where they were as

where they are, and consequently would have contributed as much to the revenue.

Mr. FIELDING. But if a man came from Owen Sound to Sydney to work in the steel industry, he left work at Owen Sound and somebody came in to do that work. For my hon. friend to prove his case, he would have to show that other parts of Canada were suffering in order that the iron and steel industry might prosper.

NET DEBT.

Now, I desire to say a word with regard to the increase of our debt. Up to June 30, 1896, the net debt of Canada was \$258,497,432.77. The net debt on March 31, 1909, was \$323,930,279.17, an increase in twelve and three quarter years of \$65,432,846.40. During the same period, we expended on the Transcontinental and on the Quebec bridge, as previously stated, \$58,391,263. So that, apart from that large undertaking—and I think we are justified in treating that as something exceptional—the increase of our debt is only \$7,041,000, and that too in the face of the fact that last year we had a falling off in our revenue of \$11,000,000.

Now, there is another aspect of our finances which is worthy of a moment's consideration. I refer to the charges for what we call capital and special account and the manner in which these charges have been made. Speaking generally, we might say the charges which are deemed to be on capital and special account are of an exceptional nature which, perhaps, would justify the borrowing of money if necessary. We ought not to borrow money for our current account, we ought to pay our way; but, for anything in the way of permanent improvements or capital expenditure, if necessary, the Minister of Finance may well justify the borrowing of money. Of course it is desirable that we should provide for all we can without borrowing.

Now, I desire to show how far we have been successful in providing for that class of expenditure without borrowing. During the twelve and three-quarter years to which I have referred, the twelve and three-quarter years of this government, we have spent on capital and special expenditures such as I have been describing, \$212,602,818.33; and during that time we have added to the debt of the country only \$65,432,846. That is to say, of these capital and special expenditures we have borrowed but a very small proportion, and we provided, of the \$212,602,818, no less than \$147,169,971 out of our own revenue; that is to say, that out of our revenue we not only pro-

vided for all our ordinary expenditure, but during that whole twelve and three-quarter years we provided for more than 69 per cent of our capital and special charges out of revenue, without resorting to borrowing, without going into debt.

Now, let us see what was the record of our predecessors—I do not say this for the purpose of finding fault, but it is a fair comparison. In the period from 1878 to 1896, similar charges, those called capital and special, had to be met to the amount of \$167,166,252; and during that period the net debt of the country increased by \$118,135,362. Mark the figures: Capital and special expenditure, \$167,166,252; increase of debt, \$118,135,362. So that all our hon. friends who preceded us were able to provide for expenditures of that character out of revenue, was \$49,030,809; that is to say, that while we have been able to provide for expenditure of that kind out of revenue to the extent of 69 per cent, they only provided it to the extent of 29 per cent. Our predecessors had to add nearly 70 per cent of that class of expenditures to the debt of the country, while we have added only 30 per cent of that class of expenditures to the debt.

Now, one may make another comparison along the same lines. There are certain big public works which the government have sometimes to provide for, and which have to be lifted out of the common calculation. The late government had to provide for the Canadian Pacific railway; we have to provide for the Transcontinental railway and the Quebec bridge. I propose to eliminate from the two accounts these large and exceptional works, to leave out, in the case of my predecessors, the expenditure on account of the Canadian Pacific railway, and to leave out in our case the expenditures on account of the Transcontinental railway and the Quebec bridge, and what do we find? Leaving out the Canadian Pacific railway, from 1878 to 1896, our predecessors provided for 42 per cent of their capital and special expenditure out of their revenue; while we have provided for similar charges, leaving out the Transcontinental and Quebec bridge, not 42 per cent, but more than 95 per cent, out of the revenue of the country.

MR. J. D. READ. Could the hon. the Finance Minister tell us how much taxes were collected from the people during the eighteen years from 1878 to 1896, and during the 10 years from 1897 to 1907?

MR. FIELDING. No, I cannot tell at this moment. But I can tell the hon. gentleman that the rate of customs taxation is less now than it was in the former period; and that the only difference between my hon. friend and myself on that question

is that while he wants to raise the taxation of the country, we are desirous of keeping it down. Now, the debt of a country is only a burden in proportion to the number of shoulders that have to carry it. Sometimes people speak of the growing debt of Canada, without stopping to consider, as they should, other elements of the growing time. The debt of Canada must be considered in proportion to the population of Canada. I have here a statement—I have submitted it on a previous occasion, but I have now brought it down to date; it is a statement showing the net debt of Canada for every year from 1891 down to the present time, including the current year, and giving the estimated population for the current year. It also shows the population of Canada as shown from year to year by our census officers. While our general census is taken only once in ten years, as respects our western provinces it is taken more frequently, and from year to year an estimate is made of our population by qualified census officials; so that we receive from year to year a statement of the population of the country which is approximately correct.

NET DEBT PER CAPITA.

Year.	Population.	Net Debt.	Net Debt per Capita.
		\$	\$
1891.....	4,844,366	237,809,030 51	49 09
1892.....	4,889,266	241,131,434 44	49 15
1893.....	4,935,748	241,681,039 61	48 96
1894.....	4,983,903	246,183,029 48	49 40
1895.....	5,003,839	253,074,927 09	50 57
1896.....	5,086,061	258,497,432 77	50 82
1897.....	5,141,508	261,538,596 46	50 87
1898.....	5,199,267	263,956,398 91	50 77
1899.....	5,259,491	266,273,446 60	50 62
1900.....	5,322,348	265,493,806 89	49 88
1901.....	5,413,370	268,480,003 69	49 59
1902.....	5,537,500	271,829,089 62	49 08
1903.....	5,712,190	261,606,988 87	45 79
1904.....	5,890,066	260,867,718 60	44 29
1905.....	6,091,136	266,224,166 60	43 70
1906.....	6,323,557	267,042,977 75	42 23
1907.....	6,655,904	263,671,859 96	39 61
1908.....	6,863,500	277,960,859 84	40 49
1909.....	7,145,040	323,930,279 17	45 33
1910.....	7,450,990	*341,680,279 17	45 85

* Estimated.

So upon authority of the census officers of Canada, I am able to state that on the 31st day of March, at the close of the current year, by the best judgment they can bring to bear, the population of Canada will be 7,450,990. Now, if we apply these figures to the net debt of the country, we have this grati-

fying result, that while in 1891 the net debt was \$49.09 per capita, and while it had increased in 1896 to \$50.82, it began to diminish after the first year of Liberal administration, when it was \$50.87; and from that point down, the figures have always been less than they were in 1896. And to-day, although in the last year we did add \$46,000,000 to the debt of the country, although in the present year we shall add upwards of \$17,000,000 to the net debt, yet if these figures are correct, on the 31st day of March, 1910, the net debt of Canada per head will be, not \$50.82 as it was in 1896, but it will be \$45.85. So, Mr. Speaker, if due regard be had to the growth and progress of Canada, the increase of debt is exceedingly small; and even with the very material sums which we have to add on account of the National Transcontinental railway, we are still in the happy position of seeing that the growth of the population and resources of Canada is faster than the growth of our public debt.

Mr. LAKE.—Before the minister passes from the debt, may I ask to what extent the bonds of the Grand Trunk Pacific and other railways have been guaranteed up to the present time?

Mr. FIELDING.—The amount is set forth in the Public Accounts. I could not give it to my hon. friend immediately, but if he will turn to the report in the Public Accounts he will find the figures there set forth.

Mr. LAKE.—For last year?

Mr. FIELDING.—The last blue-book contains the latest statement. If my hon. friend, on looking it up, finds it to be insufficient, I will be happy, if he will mention it to me, to see that he is put in possession of the information.

TRADE STATISTICS.

I do not wish to burden the House with many statistical tables. There was a time when the budget speech was a somewhat ponderous affair, but I have endeavoured to have regard to the time and patience of the House. But I thought a few statistics might be given to show the rapid recovery that has taken place after the check that came upon the business of the country a year or two ago. The total trade in 1908-9, as compared with 1907-8, declined to the extent of \$79,524,364. Of that, imports declined \$61,029,917 and exports \$18,494,447. An early recovery, I am glad to say, is going on, and quite rapidly. For the seven months to the 31st October, 1909, being the last date for which we have the customs statistics,

the total trade of all kinds exceeded that of last year by \$48,400,000. Of this \$34,553,278 represents imports and \$13,847,219 exports. At the same rate of progress for 1910, the total trade of the current year will probably exceed that of the record year of 1907-8, when the total trade was \$650,000,000.

PUBLIC DEPOSITS IN CHARTERED BANKS.

A brief reference might also be made to the deposits in the chartered banks, merely to indicate the restoration of our financial equilibrium. Ten years ago the deposits in the chartered banks of Canada amounted to \$250,000,000. They increased rapidly and on the first September, 1907, these deposits amounted to \$590,000,000. Then, under the influence of the depression which had come, they began to drop and they did drop for several months. Then they began to increase and as a result, on the 31st October, 1909, the bank deposits amounted to \$731,806,000, or nearly three times what they were only ten years ago.

IMMIGRATION.

The immigration figures are also very gratifying. I am going over these very briefly because I do not wish to weary the House with many statistics. It is hardly necessary to say that a steady influx of population is one of the important things for our country, especially our western country, which offers the greatest attractions to immigration. In the year 1908-9 there was a considerable falling off in immigration. In 1907-8 the number of immigrants was 262,469, while in the next year—1908-9—it was only 146,908, showing a decrease of 115,561. A very noticeable feature of the immigration that year was that the falling off was almost entirely in British and continental immigration. There was no falling off in the United States immigration. The movement of the tide once was setting southwards; the tide is now moving northward and even in the year of depression the immigration from the United States did not fall off. In 1907-8 the immigrants from the United States numbered 58,312, while in 1908-9 they numbered 59,832. There was a very slight increase in the number. But the returns for the present year are very encouraging indeed. Comparing the tables for the ten months of the present calendar year with those for the ten months of the previous year we find that there has been an increase of 26,824. The number of British immigrants is slightly less than in the previous year, the number from the continent is

about the same and the number from the United States appears to be steadily increasing.

COMMERCIAL RELATIONS WITH WEST INDIES.

We have naturally desired to extend our trade relations with other countries. In that connection I might call the attention of the House to the steps that are being taken with a view to the encouragement of better trade relations between Canada and the West Indies. We have long had a considerable trade with the West Indies and at one stage it was deemed advisable that we should grant the British West Indies the benefits of our preferential tariff. So far we have not received any return of any kind. The British government have not failed to notice the desirability of establishing closer trade relations between the various branches of the empire, and it was arranged some months ago that a royal commission should be appointed by His Majesty for the purpose of inquiring into the best methods of improving the trade relations between the British West Indies and Canada. The chairman of that commission is Lord Balfour of Burleigh, a very eminent British statesman, with whom are associated Sir John Dickson Poynder and Sir Daniel Morris, and upon that commission were placed two members of the Canadian government—the Minister of Customs and the Minister of Finance. We have held a series of rather interesting meetings in various parts of Canada, the effect of which, I am sure, will be to enable the British commissioners to understand the question from the Canadian point of view. At the next stage the inquiry moves to the West Indies. It was the desire of the commissioners that we should join them there at a very early date, but we felt that our first duty was to the parliament of Canada and we had to ask that the meeting of the commission might be postponed. The British members of the commission will meet in Jamaica at an early date in January and will then proceed south. If the business of this parliament should be sufficiently advanced to enable my hon. friend the Minister of Customs and myself to absent ourselves we hope to be able to join the commission in the Island of Barbados about the middle of February, but that, of course, will depend entirely upon the condition of the business of the Canadian parliament.

Mr. HUGHES.—Is the scope of this commission limited to British colonies, or is it to take in the South American republics?

Mr. FIELDING.—It is limited to the British West Indies, because what we hope will be the result of it will be a prefer-

ential tariff in the British West Indies in favour of the products of Canada and, of course, that could not be arranged with foreign countries. It is, of course, too early for us to say much as to that, but we may hope that as a result of the inquiry Canada will receive a preference in the markets of the West Indies.

Mr. R. L. BORDEN. Are the Canadian commissioners going to the West Indies?

Mr. FIELDING.—This is our difficulty: The British commissioners proposed when they were here that we should go with them, but we had to say, that, having regard to our parliamentary duties, we could not go at once. At the first meeting, which, I think, will be held at Jamaica about the middle of January, we shall not be able to be present. They will hold some further meetings and they have placed us under a sort of bond to join them in the Island of Barbados on the 15th of February, or thereabouts. Whether or not we shall be able to go depends on the progress of business in this House.

FRENCH TREATY.

Our treaty with France has now passed through its various parliamentary stages; it has received the approval of the French Chambers; it has received the approval of the parliament of Canada, and nothing remains now but the formal exchange of ratifications which may take place at Paris. We do not know at what date that may take place. Still, it is our desire that the ratifications may be exchanged as soon as possible, so that we will be able to receive the degree of increased trade that we expect to receive from that convention.

We are aware that other nations are anxious to deal with us along somewhat similar lines. It has not escaped our notice that the German empire is also anxious now to approach Canada in a good spirit. It is an occasion when we need not dwell too much on what has happened in the past. We are aware that Germany is disposed now to enter upon negotiations with us, and we are also aware that there are two other European nations which are anxious to enter into trade relations with Canada. I refer to Italy and Belgium. In due course negotiations will have to be entered upon with these countries with the view of arriving, if possible, at some friendly understanding with them.

MOST FAVOURED NATION TREATIES.

Reference has sometimes been made in the House, and more particularly outside of it, to the disadvantage which Can-

ada is said to suffer from the fact that the benefits of the French treaty have to go to certain other countries which give us nothing in return. At all events that is the way it is expressed. It is said that certain countries, by virtue of most-favoured-nation treaties, made many years ago, are entitled to the benefits of this French treaty though they give us nothing in return.

There is a tendency to treat these most-favoured-nation treaties as something disadvantageous to Canada. I hesitate to accept that view. We do receive some substantial thing in return for the benefits we extend to these countries; we receive the guarantee that no other country will ever receive better terms than Canada receives, and that is of the utmost importance to us. No country is going to give Canada a monopoly of its trade. We may by a convention with any country receive some advantage for the time being, but every country will naturally claim its right to make a treaty with any other country. All that any country can reasonably ask from another country is that it shall be guaranteed the best terms that are given to others. Now, suppose we had no favoured nation treaties; suppose we had none of these old treaties which we sometimes now complain of, what might happen? Let us take the case of one of the great nations which enjoys the benefit of one of these treaties. Austria-Hungary has an old treaty with Great Britain containing the most-favoured-nation principle and by virtue of that treaty we are obliged to give to Austria-Hungary all the benefits of the French treaty, and it is often too hastily assumed that we get nothing in return. But, if there was no such treaty, Austria-Hungary would be free to make an arrangement with, say, our neighbours to the south and to admit the products of the United States into her markets on more favourable terms than she would admit the products of Canada. Then Canada would be obliged to make a special treaty with Austria-Hungary if she could, and she might or might not be able to come to terms. But while the most-favoured-nation treaty remains in operation we have the assurance that neither the United States nor any other competitor of ours can receive any advantage in the markets of Austria-Hungary that will not at the same time come to us. Surely, that guarantee of the best terms that may be given to any foreign nation is something worth while as a return for the concessions we give.

MR. R. L. BORDEN. Do I understand the Minister of Finance to suggest that our market in that respect is increased by the provisions of the French treaty?

MR. FIELDING. No, but if there was no such treaty and if

we were to impose on the products of Austria-Hungary higher rates than we impose on the products of France, Austria-Hungary would naturally proceed at once to penalize us. The conditions that we have are such that at all times whenever any concession is granted by Austria-Hungary to any other nation we get the full benefit of it, and I really cannot see that we can expect more. I seriously think that it is a valuable concession that we thus obtain, because it removes any necessity for our worrying over our relations with Austria-Hungary. The same would be true of the other countries, many of them not very important, which have the benefit of these most-favoured-nation arrangements.

COMMERCIAL RELATIONS WITH UNITED STATES.

There is one other country with which we have very close commercial relations. Of course our closest relations are with the mother country, which is our great market, but that comes to us so naturally that we hardly speak of it at all; we know we have our most valuable market in the mother country and our people appreciate it. There is, as I say, another great country with which we have close commercial relations, and that is the United States. There has been some anxiety, perhaps some unnecessary alarm, in the mind of some of our Canadian people as to possible friction arising in consequence of the recent tariff legislation in the United States. But, after reading the most admirable message of President Taft to Congress, a few days ago, I think that we can all feel that the United States government have a very correct appreciation of what is due to other countries, and to Canada particularly. I think the terms in which President Taft addressed Congress on that subject give us abundant assurance that he and his cabinet are desirous of continuing the close and friendly relations which prevail between the republic and Canada, and we for the present are not going to assume that there is any cause for anxiety as to any friction arising between the two countries.

EXPORTATION OF FOREIGN SILVER COIN.

We are approaching the time when we shall want to issue a gold coinage in Canada. That will necessitate some change in our Currency Act, and a measure dealing with that branch of our affairs will be brought forward at an early date. In the meantime I avail myself of the opportunity to present some information and to answer inquiry with respect to the operations of the Ottawa branch of the Royal Mint. It is well known that the objects we had in view in establishing the mint were,

first, we desired to make our coins in Canada, and secondly, we were influenced to some extent by the desire to have the gold of the Yukon and the Canadian provinces brought through Canada rather than sent away to the United States. It is said that trade follows the flag, and there are others who say that trade follows the gold, and if this be true, then, if you keep your gold in your own commercial channels you will influence your trade. Perhaps parliament had that in mind when both sides agreed it was desirable to establish a mint. Now, the mint will show a very handsome profit, but let me also say frankly that we could make a greater profit by having no mint; we could make a greater profit by having our coins made in the old country. But the same reason which leads us to desire to make other things in Canada leads us to desire to make the coins of Canada within our own boundaries. We could save money by having our Dominion notes printed in England, but it was thought well some years ago to stipulate that they should be printed in Canada at an establishment erected within sight of the parliament buildings. Having provided that our note currency shall be made in Canada it was but a step in advance to say that our metallic currency should be made here as well. We have established what is called the Ottawa branch of the Royal Mint. There is the advantage in having it a branch of the Royal Mint that we shall be able to coin sovereigns which we could not do if it were a purely Canadian mint. Another thing is that it has enabled us, in the construction and equipment of the building, to have the great advantage of the skill and experience of the Royal Mint officials, which has given us a better building and equipment than we possibly could have obtained without the assistance of these gentlemen.

In connection with our mint there comes up the question of the deportation of foreign coins. A large proportion of the silver currency in Canada is foreign, chiefly American, and as there is a substantial profit on the coinage of silver, the presence of this large volume of American silver currency in Canada means that the profit on that finds its way into the treasury of the United States. We have, therefore, thought it desirable to take steps towards the exportation of American silver coins from Canada. Unfortunately, there is no reciprocity with regard to this silver coinage circulation. An American silver coin will be taken almost anywhere in Canada, but a Canadian silver coin will not generally be accepted in the United States, except perhaps along the frontier where there is considerable freedom of interchange. Now, if our American

brethern were circulating a lot of Canadian coins and we were circulating a lot of American silver the deal would be square.

Mr. FOSTER.—If we got into their \$80,000,000 silver it would be more than square.

Mr. FIELDING.—Yes, if we will assume that an equal amount was being circulated in both countries. The fact is that while in any part of Canada you may be handed an American silver coin over the counter, once you get away from the boundary in the United States you will never come across such a thing as a Canadian silver coin in the transaction of business. We have thought it wise that we, the people of Canada, the treasury of Canada, should have the profit on the silver currency used in Canada. So we have taken steps to export the American coins. It has sometimes been suggested that we should prohibit the use of this coin. That would be a great mistake. There are points along the boundary where it is a great convenience to take the coins of one side or the other, and any attempt to interfere with their right to do so, would probably be embarrassing. So we do not interfere with that practice. Of course these foreign coins are not legal tender, but they pass freely. We have made an arrangement with the banks whereby they export all the American coin that comes to them to the United States. As that coin is removed from the country, naturally a market is created for our own coin and that gives increased employment to the mint and increased profit to the treasury.

Mr. FOSTER.—How do you keep it out?

Mr. FIELDING.—You cannot keep it out, it will come back again, and where it comes back in the way of legitimate trade, while perhaps it is not wise to encourage it, it is better to export it than prohibit it.

Mr. FOSTER.—Does it come in any other way than in legitimate trade?

Mr. FIELDING.—No, I think not; I think it is the passing to and fro along the boundary to some extent and then the large number of American visitors who come in every year, who are gladly welcomed—we hope more will come—all bring some coins with them, and to prevent in any way the free use of these coins would cause embarrassment. We do not propose to do so, but we say as soon as this coin comes in we will send it out, and we can afford to do it. We pay a small commission of three-eighths of one per cent to the banks for exporting it, this being only enough to pay them for the handling of the coin. I do not look upon the commission as a great inducement

to the banks, but I look to them as good, patriotic Canadian citizens, to feel it to be their duty under this arrangement, not for the commission, but for the higher purpose, to see that whatever American coins come into a branch bank, shall not be paid out over the counter, but shall be retained and sent out under the arrangements that we have made.

Mr. FOSTER. Will the minister say to what points the banks sent them?

Mr. FIELDING. They may send it to any port in the United States, and on evidence that they have exported it and delivered it to a bank outside of Canada we accept the certificate and pay the small commission upon it.

Mr. FOSTER. Does the minister know the yearly cost of deportation and the quantity deported?

Mr. FIELDING. We had an arrangement several years ago which expired by lapse of time. We renewed it by order in council of the 2nd of June, 1909, and since that date there has been exported \$432,865 on which we have paid a commission of three-eighths of one per cent.

RECOINING OF WORN SILVER.

We also make use of the mint for recoinage of worn silver currency. For some years we have been endeavouring to make the paper currency of Canada cleaner than in former years and I think we have succeeded, although perhaps the banks are still open to some criticism in that respect. It will be observed as a rule that the paper currency of Canada is now fairly clean. Having presented to our people a cleaner paper currency, we thought we should give them silver currency in better condition. There has been a large amount of worn silver currency in Canada, some of it quite thin and smooth. It is not a proper currency for circulation, but it has passed freely. A gets it and gives it to B and so on and the banks have paid it out over their counters. We think we may properly call in that currency and recoin it. This involves a small loss, because the friction caused by passing of the coinage diminishes its weight. However, the loss is quite small and we are able to give our people a fresher, cleaner and better currency, and I think they will approve of that.

THE MINT.

I said that the mint is authorized to coin British sovereigns. It has done so to a small extent. It has a very small refining plant which enables it to do a little work along this line, and

a number of people have presented gold which they desired to be converted into British sovereigns. That has been done, the mint receiving a fair payment for its services.

The actual expenditure in the construction of the mint, including site and buildings, up to November 30, 1909, has been \$547,796.33.

It is estimated that for the refinery now under construction and its equipment a further expenditure of \$67,000 will be required.

The estimated complete cost of the mint is \$605,047.

The mint has been in operation for nearly two years, since January 2, 1908. In the first calendar year it coined 4,877,027 pieces. These include 636 British sovereigns coined for the owners of gold in the manner I have already mentioned.

In the eleven months of the present calendar year the mint coined 6,862,982 pieces. This included 13,161 British sovereigns coined under the conditions I have mentioned.

Parliament makes a grant of \$75,000 per annum for maintenance. In 1908 this was more than sufficient, the outlay being only \$71,997.32. The present year will absorb the whole annuity, and in view of the increasing amount of work the mint is required to do, it is likely the annuity will have to be enlarged.

The cost of operation has been:—

1908.....	\$71,997 32
1909 (11 months).....	61,729 52

The total cost of operation for one year and eleven months has thus been \$133,726.84.

The revenue of the mint during the same period, including payment for all services rendered, amounts to \$405,565.68.

The profits have thus been \$271,838. This handsome balance will, of course, pay interest on the cost of construction and still leave a large sum to the credit of the mint. But, of course, as I pointed out, while we have this large profit on the operation of the mint, we could have had our coins made in the old country and have made a larger profit out of them. The judgment of the House, irrespective of party, was that we should have a Canadian mint. It is one of the advancing steps of our Canadian nationality, and I believe it has met with the approval of the community at large.

Mr. FOSTER. Would the minister tell us how much it would have cost Canada to have had that same coinage made under the old system?

Mr. FIELDING. I have not made the calculation, but we certainly could have had our coins made much more cheaply in

that way. We could also have had our notes made much more cheaply in England than in Ottawa, but just as the former government adopted the policy of having notes made in Ottawa, we have carried that policy a step further and have provided a mint for the making of coins here.

Mr. FOSTER.—I wish the minister would give a calculation of just what the difference would be?

Mr. FIELDING.—I would be glad to give it, but in my judgment, and I think in the judgment of the House and of the country, it will not affect the argument. We all knew when we established the mint that we could have our coins made much more cheaply in England, but we elected to have them made in Canada.

Mr. FOSTER. Because the minister does not think it affects the argument, does he consider that the information should not be given?

Mr. FIELDING. Certainly not. Of course this is a matter of opinion.

Mr. HUGHES. The minister to that extent believes in the national policy of the Conservative party?

Mr. FIELDING. Probably it is time that somebody believed in it, because I believe that the Conservative organs are repudiating it.

NO TARIFF CHANGES.

We have no tariff changes to propose on this occasion. It is not because we have entered a claim that the tariff is perfect. I have no doubt that wherever you have a customs tariff necessarily as full and intricate as ours has to be, there will be room for criticism, and certainly always room for demands for changes. But we are of the opinion that it is not in the best interests of the business of the country that there should be frequent changes. We believed that frequent tariff changes must have a disturbing influence on the business of the country and we wished to have it generally understood that where there has been a general revision of the tariff, as we had only two years ago, the government would not be disposed to make changes unless the need for them was very urgent indeed.

LEGISLATION RESPECTING COMBINES.

There is in our Tariff Act a provision which is alluded to in His Excellency's speech from the Throne; that is, the provision with regard to combines. Those who were in the House in 1897 may possibly remember that when the combine clause,

as it is commonly called, was first presented to parliament, it proposed that in any given case where it should be established to the satisfaction of the Governor in Council that a combine existed for enhancing prices, the Governor in Council should thereupon, upon their own motion, reduce the tariff on the article in question. It was in that form that the resolution was first submitted to this House, but afterwards it was represented to us that that seemed to be a dangerous power for the government to take to itself. At that time industrial establishments were possibly more sensitive than they are now as to the effect of the tariff. After consideration, that clause was so modified as to require a reference to a judicial commission to determine whether or not there was a combine enhancing prices; and only after that finding by the judicial tribunal was the government free to make a reduction in the tariff by executive act; and in that amended form the law passed. It is sometimes complained that because of the modification then made the machinery of that combine clause is too slow and ineffective. It is said that the government have not provided sufficiently for the payment of the expenses to encourage people to take advantage of the clause; that too much is left to the individual and too little financial responsibility is put upon the public treasury. We are willing to meet this criticism. We shall at an early day propose a measure dealing with that subject, and its purpose will be chiefly to meet the criticism to which I have referred. It will provide that the government—not hastily or recklessly, because large interests are involved and must be considered—if there is a reasonable *prima facie* case that a combination exists for unduly enhancing prices, may provide all the expenses for conducting the inquiry, including the payment of counsel. That is the substance of the change, which will be proposed at a later stage.

MATURING LOANS.

With regard to the loans maturing, on the first of January next what is known as the 4 per cent Canada reduced loan of £6,443,136 falls due. This was originally a 5 per cent loan issued by the province of Canada in 1860 and renewed on the first of July, 1885 for 24½ years at 4 per cent. To meet this at maturity and to provide funds for our large requirements a loan of £6,500,000 of 3½ per cent stock at 98½ per cent was issued in London on the first of July last. An option was given to the holders of the 4 per cent reduced bonds and stock maturing on the first of January next to receive an equivalent amount of the new loan, and a cash payment of the equivalent

of the difference between the value of the loan issued and the value of the maturity on the first of January. The amount converted of the Canada reduced stock into the new loan was £1,847,418. In addition, some £2,000,000 of the 4 per cent reduced loan was held in its own sinking fund, leaving £2,498,749 to be repaid in cash in London on the first of January. The proceeds of the loan that I have just referred to will enable us to pay this amount. There is a further loan of £4,000,000 at 4 per cent issued in 1885, redeemable between 1910 and 1935 on the government giving six months' notice. As this is a 4 per cent loan, it was the intention of the government to avail itself of the option of redemption, and accordingly to give six months' notice on the first of January next. It would be good business to replace a 4 per cent loan by one bearing a lower rate of interest. But in view of the present disturbed condition of the money market, and I may add also the political disturbance, we have thought it advisable to postpone the giving of that notice until the first of July next. Further, on the first of October, 1910, a £1,500,000 4 per cent loan of 1875, guaranteed by the imperial government, falls due. In addition to these, there are two amounts of treasury bills, one of £1,000,000 falling due on the first of February, 1910, and another of £500,000 falling due on the first of July, 1910. In the ordinary course arrangements will have to be effected for meeting these obligations. As I have said before, the financial and other disturbances which have affected the money market in London have rendered it inexpedient for the present to undertake any such large operations by way of long term loans. It has accordingly been deemed wiser to adopt the expedient of short term bills, and negotiations have been carried on with the view of providing £3,000,000 for a period of six months on the security of treasury bills from the first of January next. The operation has been effected at the rate of $3\frac{1}{2}$ per cent per annum. This will enable us to pass through the period of disturbed conditions in England, due to some extent to the high bank rate and to some extent to the political situation, and we shall then have time to consider whether it will be expedient to issue a permanent loan.

Mr. W. F. MACLEAN.—Are the treasury bills issued in London or here?

Mr. FIELDING.—In London.

CONCLUSION.

I have endeavoured, Mr. Speaker, to present concisely what I regard as the chief facts and figures necessary to the con-

sideration of our financial position. I cannot hope that all I have said will be received with universal approval in this House, because I know that we look at some of these matters from different points of view; but as we have all the same good purpose in view, that of promoting the welfare of Canada, I am sure that we shall unite in expressing our satisfaction with the happy and prosperous condition of affairs in Canada to-day. It must be a gratification to every good citizen to see so many favourable signs in the outlook of our country. The check which came upon us a year or two ago may have served a good purpose. Happily it has proved but temporary; happily it has not remained with us; and already there is a rapid recovery. We have, as we all know, a country of magnificent resources. We have known it long; but we have needed two things—population and capital. Both of these things are now coming to Canada. Population is coming from all quarters of the earth. It is coming in a very large degree from the neighbouring republic, and we rejoice in the character of the immigrants that country is sending back to Canada. Population is coming also from the old world. We can well rejoice that this long desired growth of population is coming to us. We have also desired capital, and that is coming to us too. There never was a time when there was more interest in Canadian affairs throughout the world than there is to-day, or a greater willingness on the part of capitalists to invest in Canada. This is Canada's growing time. We have had growth in population, growth in wealth, growth in Canadian unity, growth in national status in the eyes of the world, growth in our sense of responsibility as citizens of a great empire. In all this growth we have reason to rejoice. But, what is better than all, we feel that this is but the beginning of greater things to come. To us as trustees of the Canadian people has been given the duty of moulding the destinies of the Canadian Dominion at a time when it has a formative character. Let us see to it, in the midst of our party strife, that at all times there rises above all the dominant note of a patriotic desire to do whatever is possible to promote the progress, prosperity and happiness of the Canadian people.

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PARLIAMENT OF CANADA

BUDGET SPEECH

DELIVERED BY

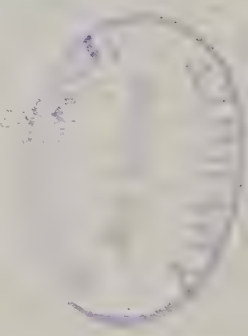
HON. WILLIAM S. FIELDING, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, APRIL 4

1911



OTTAWA
GOVERNMENT PRINTING BUREAU
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CANADA

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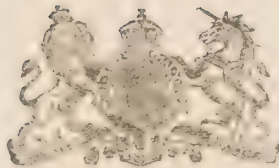
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BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, APRIL 4, 1911

SUPPLY--THE BUDGET

Hon. W. S. FIELDING (Minister of Finance) moved that the House go into Committee of Supply. He said: I am sure, Mr. Speaker, that we shall all rejoice that the facts and figures which it may be my duty to submit to the House to-day will help to tell the continued story of that progress and prosperity which Canada has now happily enjoyed for a long period. Possibly at some previous times there have been some doubts on occasion as to whether or not there was that progress and prosperity which has been claimed, but if there ever was any difference of that kind it certainly does not exist now, for on all hands we have the testimony that the condition of Canada is a very prosperous and satisfactory one.

Fiscal Year 1909-10 Revenue.

The Public Accounts submitted to parliament at the present session were for the fiscal year ending March 31, 1910, a period which expired a little more than a year ago. I shall not at this day occupy much time in commenting upon the operations of that year, but there are a few striking points in

connection with them of which we may well take note in passing. The estimated revenue for that year, 1909-10 was \$97,500,000, accompanied, however, by a hope that under favourable conditions the revenue might reach the round mark of \$100,000,000. These favourable conditions did occur, and the revenue reached the hundred million dollar mark and passed it. The actual revenue for that year was \$101,503,710.93, being a little more than \$4,000,000 in excess of the estimate, \$16,000,000 and more in excess of the previous year and nearly \$5,500,000 in excess of the revenue of the record year of 1907-8. Thus, so far as the revenue was concerned, the operations of the year were eminently satisfactory.

Expenditure, 1909-10.

If we turn to the expenditure side, we shall find an equally satisfactory state of affairs. When our revenues have been buoyant we have felt justified in making liberal provisions for the public service, but when a check comes upon the revenue, then, although it may be only for a time, it is well that we should apply the brakes

to expenditure. In the year 1908-9 such a check did come upon our revenue and there was a substantial reduction; our revenue fell off about \$11,000,000. In consequence of that, it was thought well to apply the brake somewhat severely to the expenditure of the following year. Happily the check on our revenue proved only temporary. After a short time the revenue continued to grow again, but in the meantime we had endeavoured to check the expenditure with, I think, satisfactory results. The estimated expenditure chargeable to income for 1909-10 was \$81,000,000. The actual expenditure of the year was \$79,411,747, or \$1,588,252 less than the estimates, and \$4,652,485 less than the expenditure chargeable to income during the preceding year. In these figures we have the evidence that when the check came upon the revenue, we were able to put the check upon the expenditure too, and there was a very substantial reduction of expenditure in that year.

Surplus, 1909-10.

The surplus estimated for the year was a generous one, \$16,500,000; but with a large increase of revenue and a substantial diminution of expenditure, the surplus naturally grew to a larger figure, and instead of it being the sum counted on, the actual surplus of the year was \$22,091,963, which was a record surplus for this Dominion.

Mr. FOSTER. Was that after the payment of the sinking fund?

Mr. FIELDING. Yes, sinking fund is always chargeable to income.

Mr. FOSTER. That was over and above that?

Mr. FIELDING. Yes, that is my understanding.

Capital and Special Charges, 1909-10, and Transcontinental Railway.

We have to consider now the capital and special charges for the year 1909-10. In that year we expended \$35,971,911.94, a pretty large sum, on what is called capital and special account. Nearly two-thirds of that we provided out of the revenue for the year. The balance added to the debt was \$12,338,267.16. Note that

in that year we paid out of our revenue all the ordinary expenses of what we call consolidated fund, all the charges for railways and canals on capital account, all the charges for public works on capital account, all the charges for railway subsidies, all the charges for Dominion lands, all the charges for militia on capital account, all the charges for bounties, and also \$7,600,000 towards the cost of the Transcontinental railway. In that year we spent on the Transcontinental railway \$19,968,000; but we added to the public debt only \$12,338,267. In this hurried glance at the accounts of the year 1909-10 we shall see that the year was a very prosperous one: first, in the matter of liberal revenue; second, in the fact that the expenditure chargeable to consolidated fund showed a substantial reduction; and, third, in the fact that although we spent a very large sum on capital account, we were able to provide for nearly the whole of it out of our revenue, making an addition to the public debt which, having regard to the large outlay of the year, was a very moderate one.

Fiscal Year 1910-11.

Turning now to the year 1910-11, which has just closed, we ought to be able to estimate a little more closely than usual. But it should be remembered that with our vast territory, and with the business of our country scattered over such a wide area, it becomes necessary to allow some time to pass for the collection of the accounts. Some weeks will still elapse before we shall be able to close the accounts of the year, so that the figures which I am able to give at the moment will differ materially from the figures which will ultimately be included in our blue-books; but we can form a fairly close estimate.

Estimated Revenue, 1910-11.

I have here a statement of the actual revenue for the year 1909-10 and a corresponding statement of the estimated revenue for the year 1910-11, just closed, which it will be understood is necessarily incomplete and is subject to later revision. This statement is as follows:

	1909-10 Actual Revenue	1910-11 Incomplete. Revenue
Customs	\$60,156,133 98	\$72,704,010 34
Excise	15,253,352 65	16,651,118 06
Post Office ..	7,958,547 72	8,642,090 19
Dominion Lands	2,885,999 67	3,023,872 83
Railways	9,647,550 69	10,368,596 30
Miscellaneous.	5,602,126 22	3,276,538 08
Total	\$101,503,710 93	\$114,666,225 80

We estimate that when the accounts are closed the revenue for the year 1910-11 will reach \$117,500,000.

Estimated Expenditure, 1910-11.

The expenditure chargeable to consolidated fund to the 31st of March is \$75,590,195.74; but of course many accounts have yet to come in, and that sum will be largely exceeded. We estimate that when the accounts are closed the expenditure of the year chargeable to consolidated fund will be \$87,000,000. This will be an increase over the previous year of \$7,500,000; but there are one or two facts which must be taken into account before we regard that as an actual increase. It may be remembered that in the last session of parliament I spoke of the intention of the government to make a change with regard to certain items which had been charged to capital account. It was, I informed the House, our intention that certain charges for the militia which had generally appeared chargeable to capital, should be charged to income account; also, that the item of Dominion lands, which from time immemorial had been charged to capital account, should be transferred to income. Then, the naval service might properly also be charged to income. On these accounts we have for the militia \$1,289,644, and for the Dominion lands \$936,171.75. These two items, formerly chargeable to capital, are included in the charges against income. There is also included the naval service on which we expended \$1,369,211.94. If then we take these things into account, the transfers from capital to income and the new item for the naval service, we will find that the actual expenditure of the year has not been increased by \$7,500,000, but may be roundly stated at \$4,000,000.

Estimated Surplus, 1910-11.

The estimated revenue for the year ending March 31, 1911, I place at \$117,500,000. The estimated expenditure chargeable to Consolidated Fund will be \$87,000,000, and this will give us a surplus of revenue over the ordinary expenditure of the government of \$30,500,000.

There might be circumstances under which a large surplus of that character would be open to criticism. If it were the result of increased rates of taxation, or of burdensome taxation, it would be. But when, as a matter of fact, our rates of taxation are lower than before, although, owing to the flourishing condition of the country the amount collected is much larger; when, as a matter of fact, the rates of customs taxation are lower, and substantially lower, than they were in former years; and when this surplus comes to us from a system of taxation which is not open to the charge of being generally burdensome, I think we do well to take the surplus obtained in this way and use it in paying some portion of our capital and special charges, which otherwise would have to be represented by additions to the public debt. By this liberal surplus we are able to provide, as I have already shown, for very large expenditures which, in the ordinary course of events might properly be charged to capital and added to the debt.

Capital and Special Expenditure 1910-11, and Transcontinental Railway.

I have spoken of the revenue, the expenditure and the surplus of the year. This is a surplus on the expenditure that is chargeable to income. Let me say a word or two with regard to that form of expenditure which is known as capital and special expenditure. We voted for the year just closed, for the Transcontinental railway, \$27,000,000. Our estimate is that the actual amount of expenditure for that service for the year will be \$24,000,000. We shall expend, as closely as we can estimate it, on public works, railways and canals chargeable to capital, railway subsidies, bounties and other minor charges of capital and special character, \$11,500,000. Add that to the \$24,000,000 for the Transcontinental, and we have an expenditure on capital

and special account of \$35,500,000. If we set that against the surplus of \$30,500,000 and the payments into the sinking fund of \$1,100,000, we find the amount which, as the result of the year's operations, has been added to the public debt. These figures show that we have provided for all the ordinary services of the government on a liberal scale, we have provided for public works and railways, railway subsidies, and bounties and various services chargeable to capital account, and have provided even for the Transcontinental railway almost as much as was expended in the year, making a total of \$35,500,000 spent on capital and special account, and yet we have added to the public debt of the Dominion only \$3,900,000.

Public Debt.

The debt of the country, as I have had occasion to remark previously, is only a burden in proportion to the number of shoulders to bear it. And if we view the debt of Canada in that way, we shall find that there is every reason to be gratified and no reason to be alarmed. The net debt of Canada on the 31st March, 1910, was \$336,268,546.33. The estimated increase of debt for 1910-11, as I have stated, is \$3,900,000, which would make an estimated net debt at March 31, 1911, of \$340,168,546.33. Now, if we apply the net debt of Canada year by year to the population of Canada, we shall have a very clear idea of how far the debt of the country is a burden upon the public. I have here a statement beginning with the year 1891, and showing for that year and for the twenty years succeeding, the population and net debt with the net debt per capita:

NET DEBT PER CAPITA.

Year.	Population.	Net Debt.	Net Debt per Capita.
1891.. ..	4,844,366	\$237,809,030.51	\$49.09
1892.. ..	4,889,266	241,131,434.44	49.15
1893.. ..	4,935,748	241,681,039.61	48.96
1894.. ..	4,983,903	246,183,029.48	49.40
1895.. ..	5,003,839	253,074,927.09	50.57
1896.. ..	5,086,061	258,497,432.77	50.82
1897.. ..	5,141,508	261,538,596.46	50.87
1898.. ..	5,199,267	263,956,398.91	50.77
1899.. ..	5,259,491	266,273,446.60	50.62
1900.. ..	5,322,348	265,493,806.89	49.88
1901.. ..	5,413,370	268,480,003.69	49.59
1902.. ..	5,537,500	271,829,089.62	49.08
1903.. ..	5,712,190	261,606,988.87	45.79
1904.. ..	5,890,066	260,867,718.60	44.29

Year.	Population.	Net Debt.	Net Debt per Capita.
1905.. ..	6,091,136	266,224,166.60	43.70
1906.. ..	6,323,557	267,042,977.75	42.23
1907.. ..	6,655,904	263,671,859.96	39.61
1908.. ..	6,863,500	277,960,859.84	40.49
1909.. ..	7,145,040	323,930,279.17	45.33
1910.. ..	7,489,781	336,268,546.33	44.90
1911.. ..	7,785,000	*340,168,546.33	43.69

* Estimated.

Thus it will be seen that while, in a young and growing country like Canada, there must be from time to time some additions to the public debt, the additions in our case have been very moderate, and, when considered in proportion to the population of the country are seen to be still more moderate. There is another way in which to measure the proportionate diminution of our public debt. Twenty years ago it would have taken six years' revenue to pay the net debt; ten years ago it would have taken five years' revenue to pay the net debt; to-day less than three years' revenue would pay the whole net debt of Canada.

Loans Matured.

Since the date of the last Budget Speech (December, 1909), large obligations of the Dominion have matured and been dealt with. On the 1st January, 1910, the 4 per cent Reduced Loan of 1885 for £6,443,136 2s 9d., or \$31,356,595.88, matured and was dealt with as follows: \$11,915,343.35 redeemed in cash; \$8,990,771.45 converted into 3½ per cent loan 1930-50; \$9,603,597.84 held in its own sinking funds and cancelled; \$846,883.24 held in Investment Account and cancelled. It will thus be seen that of this loan a large portion was redeemed in cash, a portion converted, and a portion cancelled through the operation of the sinking funds.

There was also matured and paid off on the 1st February, 1910, £1,000,000 of Treasury Bills.

Notice had been given that on the 1st July, 1910, the 4 per cent loan of 1885 for £4,000,000 would be redeemed. This was a loan issued in the year 1885 at 4 per cent, redeemable between 1910 and 1935 on the government giving six months' notice. As this loan was bearing 4 per cent interest it was considered advisable

to replace it by a loan bearing a lower rate of interest. For this purpose a loan of £4,000,000 3½ per cent stock, redeemable, as in the case of other 3½ per cent loans, on the 1st July, 1950, with the option to redeem at par on or after the 1st July, 1930, on giving six months' notice, was issued at the issue price of 99 per cent.

On the 1st October, 1910, the £1,500,000 of the 4 per cent loan of 1875-8 guaranteed by the imperial government fell due. To provide for this maturity, and also for the purpose of meeting £3,500,000 of treasury bills, due 1st July, 1910, an issue of £5,000,000 3½ per cent stock, redeemable on the 1st July, 1950, with option to redeem at par on or after the 1st July, 1930, on giving six months' notice, was effected at 99½ per cent on the 5th May last.

The next maturity to be dealt with is the balance outstanding of the 4 per cent loan of 1874. This was a loan of £4,000,000 issued in 1874. A part of it was paid off, and the balance, £2,500,000, was extended to the 1st May, 1907. In April, 1907, a further offer to extend the balance outstanding for four years, or to the 1st May, 1911, was given with the option to convert into 3 per cent stock. This option expires on the 30th April, 1911. The amount of the loan so far not converted is £1,635,958. This outstanding amount will be paid off in cash on the 1st May next.

We have thus cleared off all the heavy maturities of the year 1910. Provision is practically made for the payment in cash on the 1st May next of the loan already referred to maturing that date.

There is to-day no temporary loan of any kind outstanding.

Sinking Funds.

In this connection I may say a word on the subject of sinking funds. In the earlier history of the Dominion it was the practice to attach sinking funds to all the loans, and, with the exception of one small loan there was a sinking fund attached to all loans in these earlier years. But after the year 1885 that policy was changed; sinking funds were abolished, and from that time on for many years no sinking funds were attached to the loans. As these old loans matured the

sinking fund attached to each was found a most convenient and advantageous thing, and as a result of our consideration of the question of re-establishing the sinking fund system, sinking funds are attached to our recent loans. In the olden times the sinking fund was one-half of one per cent, except in the case of the imperial guarantee loan, when it was 1 per cent. In July, 1909, we issued a loan of £6,500,000, 3½ per cent stock, and to that we attached a sinking fund of one-half of one per cent. We also extended that sinking fund to two previous issues of the same class; one of £3,000,000 issued February, 1908, and another of £5,000,000 issued October, 1908; both of these being of the same class as the loan of 1909, 3½ per cent stock redeemable 1930-50. We have thus fourteen and a half million pounds sterling of recent loans which have been brought under the operation of sinking funds, and the additional amount we have put into the sinking fund by reason of this change now stands at \$695,024. There was no particular demand for this from the money market. I have no doubt we could still have obtained our loans without sinking funds, but I am of opinion that even from the money market point of view it was well we should restore the policy of earlier years and attach sinking funds to our loans. We propose, therefore, that as respects loans which may hereafter arise, unless something shall occur to change the policy, that we shall attach sinking funds to them as was done in the earlier history of the Dominion.

Expenditures which should be defrayed by Borrowing.

In a previous budget speech, I think the last one, I discussed the question of what I thought was a proper subject for borrowing: the things which we might reasonably borrow for, and the things for which we should not borrow. Speaking generally one may say that the things which are chargeable to capital account are usually considered the things for which a government may properly borrow. I think, however, that we might accept that principle only with a modification. I laid it down, not as a rule, but as an object at which we should aim, that we should only borrow

for great and important public works such as the National Transcontinental railway. I do not mean to say that under no circumstances would we be justified in borrowing for other purposes, but my idea was that we should endeavour to pay out of revenue not only our ordinary expenditure, but other expenditures which had formerly been charged to capital or special accounts, such as our Public Works, Railways and Canals capital account, bounties, &c. I thought we should endeavour to confine our borrowing to a great national work like the Transcontinental railway and pay all the rest out of our revenue. I am glad to be able to say that has been done, and that we have accomplished more than I set out to accomplish in that way. As I have pointed out, in 1909-10 we spent on the National Transcontinental railway \$19,968,064.31, but we only added to the public debt in that time \$12,338,267, and in the year just closing we spent \$24,000,000 on the National Transcontinental railway, but we shall only add to the public debt \$3,900,000. I have already mentioned that we have made a change with regard to certain items being charged to capital account. The expenditure for Dominion lands for a great many years was chargeable to capital account though the revenue from Dominion lands appeared in the ordinary income. We announced last session that we would charge Dominion lands hereafter to income account, also, that portion of the militia expenditure which for some years had been charged to capital account, and also, that we would take the new Naval Service under our care as chargeable to income, and not to capital.

Bounties to be Charged to Income.

I propose now, in view of the fact that the bounties are pretty well running out, that that which will remain will not be a very heavy charge on the public treasury. I think that from this time forward we may adopt the rule that all these charges for bounties shall hereafter be charged to income and not charged to capital or special account.

Bounty Statistics.

With regard to these bounties, as they have been the subject of very much dis-

cussion of late in one form or another, I may give the House some information concerning them. I think that the bounty system dates back as far as 1883. In the session of 1883 the first bounty legislation with regard to iron and steel was passed. At one time we granted bounties for the encouragement of the beet sugar industry, but they ceased a good many years ago, and were not renewed. In 1884 we began paying bounties for the production of manufacturing industries, and we have thus for 28 years been assisting in one form or other the iron and steel industry by way of bounties. The following table gives the amount paid for bounties during the year 1910, and the year 1910-11 to 31st March, which however is incomplete:

	Bounties. paid during 1910.	1910-11 to 31st Mar. (Incom- plete.)
Pig iron.. . . .	\$573,999	\$261,434
Steel	695,722	350,456
Manufactures of steel	538,812	468,461
Lead.. . . .	340,542	138,913
Manila fibre.. . . .	61,507	37,288
Crude petroleum	203,589	147,814
Total	\$2,414,171	\$1,404,366

In the case of the bounties on pig iron, steel and puddled bars, the bounties expired on the 31st December. There is an exception to that, however, in the case of iron produced from Canadian ore by the process of electric smelting. It was provided when the last extension of bounties occurred, that as respects that particular form of industry the bounty should be extended to the 31st of December, 1912. So far as I am aware, however, no operations have been carried on under that provision. The bounty on rolled round wire rods which has been carried on expires on the 1st July, 1911. The provisions of the present statute giving a bounty of 75 cents per 100 pounds on lead contained in lead-bearing ores mined in Canada were extended to the 30th June, 1913, the amount of the bounty being limited to \$500,000 in each calendar year. That bounty, therefore, has some time to run. There is a bounty of three-eighths of a cent per pound on manila fibre used in the manufacture of binder twine, due to a discrimination by the United States in the Philippine Islands by which the manufacturers of manila fibre in Canada were

obliged to pay a duty which their American competitors were not obliged to pay. That bounty is not limited as to date. There is also a bounty of 14 cents per gallon on crude petroleum which was established on the revision of the petroleum duties some years ago, and there is no limitation as to date. Since the inception of the bounty system in 1884 to the 31st March last the total sum paid in bounties has amounted to \$21,031,700, as follows:

TOTAL BOUNTIES PAID—1884 to 1911.

Pig iron	\$7,707,648
Puddled iron bars	113,674
Steel	6,706,990
Manufactures of steel—	
Wire rods	2,541,711
Angle beams &c.	101,264
Lead	1,610,733
Manila fibre	243,254
Crude petroleum	1,911,075
Beet root sugar	93,284
Law costs	2,067
Total	\$21,031,700

Trade Statistics.

I do not desire to present any elaborate system of statistics at the present time, yet, I think it would be well that I should, in a few striking figures, indicate the great progress which we are still able to note in the trade and financial affairs of Canada. I propose to give you figures briefly only for three periods—1900, 1905, 1910—so that we may at a glance see something of the great progress which has been made. I, therefore, beg to present the following statement:

TOTAL TRADE OF CANADA.

Year.	Total Imports into Canada.	Total Exports from Canada.	Total Trade.
	\$	\$	\$
1900	189,622,513	191,894,723	381,517,236
1905	266,834,417	203,316,872	470,151,289
1910	418,730,764	309,682,431	728,413,195

Mr. FOSTER. Does that statement include coin and bullion?

Mr. FIELDING. The statement of the total imports includes everything. I propose to present a few figures now with

regard to trade with Great Britain and these will not include coin and bullion.

Mr. FOSTER. Merchandise only.

Mr. FIELDING. Yes.

TOTAL TRADE WITH GREAT BRITAIN.

Year.	Imports (Home Consumption, Coin and Bullion excluded).	Exports (Produce of Canada, Coin and Bullion excluded).	Total Trade with Great Britain (Imports Home Consumption and Exports produce of Canada, Coin and Bullion excluded).
	\$	\$	\$
1900	44,279,983	96,562,875	140,842,858
1905	60,342,704	97,114,867	157,457,571
1910	101,068,534	145,505,186	246,573,720

These figures of our trade with the world and our trade with Great Britain give us at a glance some idea of the tremendous expansion of our business. For the year 1910-11, to the 28th February, an incomplete return representing only eleven months, our total trade was \$687,376,352. For the corresponding period of the previous year it was \$610,577,981, showing, on a statement for eleven months, an increase of \$76,798,000. So, it will be seen that the figures which I have given for the periods 1900, 1905 and 1910, may still be reasonably applied to the trade currents of the year; we have every evidence that they are still increasing.

Fiscal Year, 1911-12.

For the year 1911-12, upon which we have just entered, one can only speak generally. It is impossible to make estimates with any degree of accuracy and in all my experience in budget speeches I have thought it better to be general in this respect. Let me say, however, that we have no reason to fear that this year will not be in every respect a satisfactory one. The estimates now before the House call for a liberal expenditure and we shall still have supplementary estimates to come which no doubt will add materially to the bill of fare. But, we have every reason to believe that the revenue will be abundant and that we will find it sufficient to meet all our ordinary expenditures and also a share of

the expenditures of a capital and special character.

Conclusion.

We know that in a country which is so largely agricultural as Canada very much depends upon the condition of the crops, and no man can at this date fore-shadow what that condition may be, but we have no reason to doubt that the blessings of Providence in respect to generous crops will be extended to us in this year as in the past. We think that the outlook in every respect is one that should give us much hope. Desirable immigrants are coming in. I emphasize the word 'desirable'. We have surely reached that stage in our affairs now when it is quality rather than quantity that we want in regard to immigration, and we have good reason to believe that the Department of the Interior is using every legitimate effort to see that the immigrants who are coming into the country are of the best class. We are getting capital in abundance. Population and capital are the two things that a new and growing country need, and the country has every reason to be satisfied with its condition in this respect. With every prospect for business activity, with every ground for hoping for good crops, with trade and commerce flourishing, with the outlook so good generally, we have every reason to look with confidence to the future. There are those who will say: That being the case, let well enough alone.

Some hon. MEMBER. Hear, hear.

Mr. FIELDING. I say that is not a sound motto for any country in this progressive age. The business man never accepts the motto to let well enough alone. In the time of his greatest activity and his greatest prosperity he is looking for opportunities to open up new fields of business, and as it is with the individual so it should be with the nation. 'Let well enough alone' has never been the

motto of the Dominion of Canada. In all times past, when we have had a prosperous condition of affairs, when my predecessors in office were able to make statements perhaps hardly so rosy as that which it is my pleasure to make to-day, but nevertheless hopeful and encouraging statements, they were not content to let well enough alone, and why should they preach that doctrine to us to-day? If we are to adopt that policy let us cease building railways, abolish our subsidies to steamship lines and cease to send trade agents to foreign countries. We are seeking new markets everywhere; our steamships run to all countries, many of them heavily subsidized; we are sending our trade agents over the civilized world; we are doing everything that is inconsistent with the policy of 'let well enough alone' because when things are going favourably that is not a reason for doing nothing, it is rather a reason for being alert to avail ourselves of other opportunities. We need new markets in all directions. We need them for the surplus products of Canada as it is to-day, and we shall need them in even greater degree for the vaster surplus of Canadian products to come to us from the great west in the near future. For these reasons we have endeavoured to enlarge our markets in all directions and it did not seem to be wise, while we were sending agents to Africa and China and the distant parts of the world, to close our eyes to the opportunities lying much nearer home. Into that I do not wish to enter to-day.

Every prospect for Canada to-day is bright and hopeful. With peace and progress and prosperity at home, with the friendliest relations with the great republic lying alongside of us, with the warmest attachment to the great empire of which we are so proud to form a part, the Canadian people can look forward to the future with every hope and every confidence.

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BUDGET SPEECH

DELIVERED BY

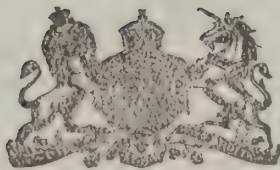
HON. W. T. WHITE, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

WEDNESDAY, MARCH 13

1912



OTTAWA
GOVERNMENT PRINTING BUREAU
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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, WEDNESDAY, MARCH 13, 1912

WAYS AND MEANS—THE BUDGET.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said: Mr. Speaker, for the first time it becomes my privilege to present the annual statement of the financial affairs of the Dominion, commonly known as the budget speech, and I trust, Sir, that standing as I do in the place of so many distinguished and experienced predecessors—myself a new member of the House and with but a limited experience in office—it may not be deemed unfitting if I request a reasonable degree of indulgence in the discharge of the important and responsible duty which now devolves upon me. And, at the outset, I desire to congratulate the House and the country upon the abundant prosperity, which, under Providence, this great Dominion continues to enjoy in ever-increasing measure. In these congratulations, I am sure that all the members of this House, irrespective of party affiliations, will heartily join as loyal and patriotic Canadians rejoicing in the welfare of our common country. Under the circumstances of the present session, it is necessary in considering the finances of the Dominion, to cover three periods, namely, the fiscal year 1910-11, the fiscal year 1911-12, and the fiscal year 1912-13.

Fiscal Year 1910-11.

As the accounts for the year 1910-11 were not finally closed when the budget speech of 1911 was delivered by my predecessor on April 4 last, an estimate of the result was placed before the House. Since then the accounts have been completed and

issued and have been made public for some time, so that a review need not be of an extensive character. The fiscal year 1911-12 nominally closed on the 31st of March, but an extension of at least a month is necessary to complete the payments for the services of that year. It will be some time after that before the accounts are finally closed, and the ultimate outcome is a matter of estimate, based upon experience and a knowledge of the characteristics of the various services for the period yet to elapse. The estimates for the fiscal year 1912-13 have been placed before the House and supplementary estimates have yet to be brought down. It will be obvious that with regard to a year not yet begun there can be no such reasonable certainty of approximate calculation as exists in the case of the current year. Reviewing now more particularly the several periods under consideration, and beginning with the year 1910-11, it will be found that the general financial results for that year did not materially differ from the anticipations of the last budget speech. Dealing, in the first place with what is known as Consolidated Fund, or what might be regarded as the ordinary revenue and ordinary expenditure of the country, it will be found that the actual revenue for 1910-11 amounted to \$117,780,409.78, against an estimate of \$117,500,000, and the expenditure to \$87,774,198.32, against an estimate of \$87,000,000. The following tabulated statement shows the result:—

REVENUE AND EXPENDITURE—CONSOLIDATED FUND, 1910-11.

—	Actual.	Estimated.	Greater than Estimated.	Less than Estimated.
	\$ cts.	\$	\$ cts.	\$ cts.
Revenue... ..	117,780,409 78	117,500,000	280,409 78	
Expenditure.....	87,774,198 32	87,000,000	774,198 32	
Surplus	30,006,211 46	30,500,000	.....	493,788 54

The difference between the ordinary revenue and ordinary expenditure—\$30,006,211.46—was available for what have been known as capital and special charges.

Revenue 1910-11.

I should like to point out to the House that the revenue for the year 1910-11 was a record figure, and it may assist us to some extent to appreciate the increase in the revenue in recent years to say that this revenue of \$117,780,409.78 is more than double the revenue received in 1901-02. The expenditure of \$87,774,198.32 is more than double that of

the year 1899-1900. The sources from which the revenue of the year was derived and the amount from each respectively, and their comparison with the preceding year were as follows:—

—	1909-10.	1910-11.	Increase.
	\$ cts.	\$ cts.	\$ cts.
Customs.....	60,156,133 98	72,965,394 46	12,809,260 48
Excise.....	15,253,352 65	16,869,837 36	1,616,484 71
Post Office.....	7,958,547 72	9,146,952 47	1,188,404 75
Railways.....	9,647,550 69	10,249,391 94	601,841 25
Miscellaneous.....	8,488,125 89	8,548,833 55	60,707 66
Total.....	101,503,710 93	117,780,409 78	16,276,698 85

It will appear from this that of the total consolidated revenue fund 62 per cent was derived from customs and 14 per cent from excise, that is to say these two services accounted for over three-fourths of the revenue. In the case of customs the increase over the previous year was at the rate of over $21\frac{1}{3}$ per cent. Excise and post office revenue increased at the rate of $10\frac{1}{2}$ per cent and 15 per cent respectively. On the total revenue the rate of increase was 16 per cent. The increase in the customs revenue of course arose from the increased importations for the year.

The total imports entered for consumption in 1910-11 were \$461,951,318. The amount of increase over the previous year was \$86,118,302. The average rate of duty on these imports, both dutiable and free, was 16.145 per cent. The average rate of duty on dutiable goods entered for consumption in 1910-11 was 25.797 per cent. I may say that very little change has taken place in these average rates in recent years.

The revenues from excise are mainly derived from spirits, tobacco and malt. In the case of each of these there was an appreciable increase over the revenues derived in 1909-10. Although the total consumption has increased to some extent it does not appear that the per capita consumption has increased materially.

With regard to post office and railways the revenue shows a substantial increase due to the general increase in business throughout the country.

Expenditure 1910-11.

We turn now to the expenditure for the year. On account of consolidated fund it reached the sum of \$87,774,198.32.

That was an increase of \$8,362,451.20 over the expenditure for the previous fiscal year. This is a fairly large increase but I think it only fair to say that in 1910-11 there were included in consolidated fund expenditure certain items which in preceding years had been made a charge against capital. These items were: militia, \$1,372,405.09; Dominion lands, \$976,024.94. To these may be added expenditure upon naval service, which was of a new character, and amounted to \$1,790,017.16. In addition to the expenditures which I have mentioned and which are so-called Consolidated Fund expenditures, that is the ordinary running expenditures of the country, there were very large and substantial outlays charged to capital and special accounts. In detail these were as follows:

National Transcontinental Railway.. . . .	\$23,487,986 19
Other railways, canals and public works.. . .	7,364,977 19
Railway subsidies.. . . .	1,284,892 04
Bounties.. . . .	1,597,663 48
Various miscellaneous items, including cost of loans.. . . .	1,286,911 39
Total.. . . .	<u>\$35,022,430 29</u>

Relation of Bounties and Railway Subsidies to Capital Account.

I do not propose to criticize any of these amounts that have been charged to special account, but I wish to make the observation—and I am glad to learn that my predecessor was finally led to come to the same conclusion—that bounties in my judgment should have been charged to consolidated fund expenditure.

There is another item to which exception might be taken, but I do not take exception to it now because, to be frank, I am not quite clear in my own mind with regard to it, that is the item of railway subsidies. I am aware that not only with the late government, but with preceding governments, there has been a practice of charging to special accounts, in the nature of capital accounts, railway subsidies, I suppose upon the theory that these subsidies are a benefit to railways and railways benefit the country for years to come, and that consequently railway subsidies might be looked upon as, in a sense, a contribution to what might be deemed national assets. There is very much to be said for that view and there is a clear distinction not only in private but in company and, I believe, in national finance between capital expenditure and ordinary expenditure. I believe that sometimes that has been disputed, but I think it can hardly be seriously disputed. In national finance we have to expend very large sums of money upon great undertakings, such as government railways, canals and terminals, public build-

ings of a costly character for national use which may be truly designated and described as permanent assets, and which will remain for the benefit of the nation practically for all time, or at all events for a great number of years. Now it would seem to me very unreasonable that out of the revenues for the year we should expect to meet the expenditures upon national undertakings such as I have described, and, therefore, so far as my judgment goes it is proper that there should be a distinction observed between capital expenditure and consolidated fund expenditure. That distinction has been observed, I think, not only by the late governments, but by practically every government since confederation.

Results of Year 1910-11.

Coming back to the fiscal year under consideration it will be necessary in order to arrive at the net result of its operations to set off against the capital and special expenditures which I have mentioned, amounting to \$35,022,430.29, the excess of revenue over running expenses, commonly called surplus, amounting as above stated to \$30,006,211.46, also the expenditure on account of the investments for sinking funds which represents an outlay for the purchase of securities to be retained practically in our own hands. The expenditures for sinking fund are made from the consolidated fund account, and amount to the sum of \$1,203,416.40. Then there were sundry refunds to the amount of \$39,296.73, making a total of \$31,248,924.59. Now deducting this amount from the total capital and special expenditures, which I have given of \$35,022,430.29, it will be found that the net debt of the Dominion was increased as the result of the year's operations, that is to say the operations of the year 1910-11, by the sum of \$3,773,505.70. I must say that I regard that from the financial standpoint as a satisfactory condition: it shows how the very large capital and special expenditures were substantially met by the revenues of the year. The increase of debt, namely, \$3,773,505.70 is certainly not large. It may be properly described, I think, as comparatively small.

Fiscal Year 1911-12.

I come now to revenues for the year 1911-12. Nominally the year will end on the 31st March current, but under the provisions of the law a period of three months is allowed for finally closing up the year's business, which period, I understand, has been gradually cut down in practice to about a month, so that it will be over two months before the books are finally closed.

Estimated Revenue 1911-12.

I will, however, endeavour to give an estimate, or to indicate my anticipations, with regard to the outcome of the year. Up to the end of February we received by way of revenue the sum of \$120,645,616.85. To this must be added the revenues of the current month, and also the revenues attributable to the current year, which will be received after the 31st March and during the period which I have mentioned, because it takes some time to finally close the accounts in a country of such large distances as we have. Now basing my estimate upon what was received for the corresponding period of last year, with a proportionate increase in keeping with the increases of the past few months, I anticipate that for the current fiscal year, when the books are finally closed, the revenue will reach a total of \$136,000,000.

Some hon. MEMBERS. Hear, hear.

Mr. WHITE (Leeds). I am very glad indeed to hear hon. gentlemen on both sides express their appreciation of this estimate of \$136,000,000. If the estimate is correct, and I believe it will be found to be substantially so, it is a matter of congratulation to both sides of this House and to the public, that the abounding revenues of this country have kept up as they have. As I say, we must drop party affiliations in connection with the budget and rejoice in the welfare of our common country.

Estimated Expenditure 1911-12 and Surplus.

Up to the end of February, 1912, there has been an expenditure of \$77,145,824.97, an increase of \$6,557,953.20 over the corresponding expenditure at the end of February of last year. The supplementary estimates have been laid to-day on the table of the House, and taking them into account, and the requirements for the balance of the fiscal year, I think it will be found when the books are closed that the payments on account of the consolidated fund will approximate the sum of \$97,000,000. The estimated revenue for the current year, with which I am now dealing, being \$136,000,000, there will therefore be a surplus of consolidated fund revenue over consolidated fund expenditure of \$39,000,000, available for capital and special outlays. I am sure I can congratulate both the House and the country upon what is undoubtedly a record year for the Dominion. I do not know how to quite share that congratulation up, but as my right hon. friend (Mr. Borden) came into power on the 6th of October, and my right hon. friend the

leader of the opposition was in power prior to that date, there is probably glory enough to go round, and it would be the judgment of Solomon that each be entitled to one-half, at all events to a part of the credit for the return which I am now presenting to the House.

Mr. BELAND. Let us say one-tenth.

Mr. WHITE (Leeds). Of course we must not forget that we must give due credit to Providence, to our great natural resources, to the rich fertility of this wonderful country, to our vast stretches of agricultural land, to our mines, our forests and our fisheries, and we must not overlook the people of this country and their character and energy, and enterprise and ability. Having done that, whatever glory may be left, whatever credit may be attributable in any measure to legislative agency, let us apportion it, as I have suggested, let us divide it up half and half.

Capital and Special Outlays 1911-12.

The capital outlays for 1911-12 have been extensive on account of the large undertaking now being carried on. It is estimated that the capital and special outlays for the Transcontinental railway, for the different railways, canals and public works, for railway subsidies and for the various other items in the category, will total \$34,000,000.

To this must be added whatever is paid to the credit of the Receiver General on trust account by way of implementing in cash the guarantees, under the terms of the National Transcontinental Railway Act and the Act of this session in this regard. Assuming that amount to be in round figures \$5,000,000, the total will be increased to \$39,000,000.

Now let me say with regard to this large amount of \$5,000,000 which, as I say, will be paid into the credit of the Receiver General in trust, that I considered very carefully whether we would be justified in deducting that from the consolidated revenue fund, that is to say, in paying it out from the running expenses of the year as distinguished from capital and special charges, and I came to the conclusion that it would not be quite fair to do so. True, it is in the nature of a loss, a loss that the country must pay; on the other hand, it may be regarded as analogous in some measure to a railway subsidy; and as I desire to be absolutely fair in the presentation of the budget, I came to the conclusion that it would be better to treat the \$5,000,000 as a special account, as if it were analogous, so to speak, to a railway subsidy. Therefore I add the \$5,000,-

000, which will be paid to the credit of the Receiver General in trust, to the \$34,000,000 of capital and special expenditure which I have mentioned, and I reach a total of \$39,000,000.

Reduction of Debt.

Now, taking the revenue of the year, which I have mentioned, and taking this capital and special expenditure of \$39,000,000 into consideration, on this basis the net outcome of the year would be a reduction of the debt by \$1,150,000, on the following computation:—

Revenue.. . . .	\$136,000,000
Add sinking fund.. . . .	1,150,000
	<hr/>
	\$137,150,000
Consolidated Fund expenditure.. . . .	\$97,000,000
Capital and special expenditure.. . . .	39,000,000
	<hr/>
	136,000,000
	<hr/>
Reduction of debt.. . . .	..\$ 1,150,000

Now, Mr. Speaker, what does this mean? It means that out of the abounding revenues of this country, we shall provide for the ordinary current expenditures of the Dominion, for all those large capital outlays which I have mentioned, and which this growing country has required during the year for services of every kind, and at the same time that we shall be able to make a reduction of the public debt to the extent of \$1,150,000. That means, we have more than paid our way, and our surplus has been such that all capital and special charges have been extinguished. Now I am aware that exception may be taken to a statement of that kind. It may be said that the surplus is too large, that it is not proper that we should be able to pay off all the current expenses of the year, and at the same time take care of such a large capital expenditure as has been made during the past year. Personally I am in favour of a substantial surplus, and I give the House my reasons.

In the first place, we are not certain that we shall always have the present prosperity. I trust we shall, and every hon. gentleman in the House trusts we shall; and I see no reason whatever to suppose that there will be any change in the immediate future, or even for some years ahead, so far as I can foresee. I see no reason for believing that the present prosperity will not continue. But at the same time there is always the possibility and therefore I think it well that the country should have such a revenue in excess of the current expenditure that we may take care to some extent, and even in large measure, of the capital expenditures which are necessary in the constructive period of a country such as this. Now if we had to borrow

for all such capital expenditures the national debt of this country would be greatly increased, and if the national debt were greatly increased it would follow, it seems to me, that our national credit might be to some extent impaired. None of us, I am sure, would like to see that. Not only so; but if there should come, by any chance, in the distant future an adverse period, when times are not as prosperous as they are at present, it would be well indeed if we should have the credit of the country at the highest possible standard in order that we then might be able to borrow. Because I believe in national finance that we should provide for capital expenditures in times not only of prosperity but in times that are not prosperous, when money is cheap, when great national undertakings may be carried on by the use of the credit of the country, because that helps us to tide over a period of depression; and if the money is wisely expended you have national assets, you have the national undertakings from money obtained upon the strength of that credit.

Fiscal Year 1912-13—Estimated Revenue and Expenditure.

Now coming to the fiscal year 1912-13, which begins on the 1st day of April next, at this date, of course, it is impossible to do more than state in general terms the prospects as to the revenues on the one hand and the expenditures on the other. With regard to the former, there appears to be every hope that during the fiscal year 1912-13 they will show an appreciable advance over the estimated amount of \$136,000,000, for the current fiscal year. As to the expenditures, the main estimates for 1912-13 have been before the House for some time. They amount to \$149,789,677.68, composed of \$104,119,304.86 for consolidated fund service and \$44,870,372.82 for capital outlay.

These expenditures will be increased, of course, by the supplementary estimates to be brought down. I expect to bring these down probably in the course of a couple of weeks. It is possible, also, on the experience of the past, that further supplementary estimates may be brought down later in the year when parliament again meets, but, of course, I have no certainty as to that. Between the total estimates for all services for 1912-13, therefore, and the anticipated revenue of the same year, there would be an appreciable, even a large, deficiency to be provided for. But it must be borne in mind there is a difference between estimated and actual expenditure. That is well illustrated in the case of the last fiscal year. Experience shows that of the total amount estimated, very considerable sums lapse. That is the experience of every year. In some years, of course

there are more lapses than in others ; variation takes place according to the closeness of the estimates and the ability to expend in the respective cases. For example, take the year 1911-12. The estimates already voted amount to \$156,079,538.73. These were the estimates of the late government partially adopted by this government last fall. If we add the supplementary estimates which I have to-day laid on the table amounting to \$2,600,000, we find the total—the appropriations for 1911-12—to amount to \$158,679,538.73. The anticipated expenditure for consolidated fund services and all capital and special outlays, is as I estimated, \$131,000,000, showing the very large amount of upwards of \$27,000,000 which will remain unexpended, and will lapse. Therefore, notwithstanding that the total amount of the main estimates for 1912-13 is \$149,789,677.68—which, I may say, is less by \$8,000,000 than the total appropriation for the present fiscal year and which we shall have to supplement by estimates this session and by further estimates, as I have said, in the coming fall—I feel confident that at the end of the present fiscal year the revenues of the country will have proven sufficient to meet not only the current expenditures, but to provide at least a part, and, I believe, a substantial part of that class of expenditures which have been known as capital or special expenditures and for which, so far as the capital expenditures at least are concerned, the government would be justified in borrowing.

Provision for Public Works and Transportation.

It will be observed in connection with the estimates for the coming fiscal year that very liberal expenditures have been provided for. We are in the growing period of the nation and the government must do its part. The increase of our transportation facilities, improvements of and extensions to our canal and railway systems, the deepening of our harbours and waterways, the construction of adequate terminals at our great ports—all these with other necessary minor public works are the proper subject of public expenditure; and I believe that for these purposes generous appropriations will be approved by the people of Canada. The greatest problem we have to-day, in my judgment, is the problem of transportation—to give our people access to the markets of the world. We have to-day a congested situation in the west. There was a late harvest. The railways have been overtaxed. Hon. gentlemen representing the west and indeed hon. gentlemen on both sides of the House are anxious that we should provide more railway accommoda-

tion for the west, more spouts—to use a common expression—for the western traffic. The government is committed to the project of building the Hudson Bay railway. The Canadian Northern Railway Company is extending its transcontinental line to Vancouver. The Grand Trunk Pacific Railway Company, part of the National Transcontinental system, is pushing on to Prince Rupert. In time, we shall have the opening of the Panama canal. Questions will arise as to moving the wheat to the west and providing terminal facilities for that traffic. Great capital expenditures will be required to provide facilities both on the Atlantic and on the Pacific. We must provide adequate expenditures for all these purposes. And if, as I have said, the money is expended wisely and economically, I believe that any government of Canada at this stage of the country's development will have the hearty support of the people in making those expenditures.

Public Debt.

Now, I have dealt with the three fiscal years with which it was necessary I should deal in presenting to the House the financial affairs of the Dominion. I come now to the question of the Dominion debt. The net debt of Canada, as at 31st of March, 1911, was \$340,042,052.03. This figure is arrived at by taking the gross debt, which amounts to \$474,941,487.42, and deducting therefrom the assets amounting to \$134,899,435.39. These assets are as follows:—

Sinking funds.. . . .	\$ 11,196,825 90
Sundry investments.. . . .	27,501,851 20
Province accounts.. . . .	2,296,429 12
Miscellaneous and banking accounts.. . . .	16,940,258 65
Specie reserve.. . . .	74,472,977 17
Cash.. . . .	2,491,093 35
Total.. . . .	\$134,899,435 39

The estimated population of Canada on the 31st March, 1911, as revised by the Census office, was 7,158,000, so that the net debt per head at that date amounted to \$47.51.

Sinking Funds.

The sinking funds in this list represent, of course, purchases made of our own securities in the market in connection with the sinking fund attached to the several loans. They are held by trustees for the Dominion. Personally, I believe not only in connection with municipal or provincial finance, but also in connection with national finance, that a sinking fund should be attached to every loan. I know it may be said that

the credit of the Dominion is so high, the resources of the Dominion are so great, that we do not need a sinking fund. But my judgment is that it would be an unwise policy not to attach a sinking fund to every loan. I believe my predecessor took the same view—I am not quite certain as to that—but if he did, I am glad to agree with him; for a sinking fund puts in process the liquidation, to a certain extent at all events, of every loan; the financial position is improving continually by reason of the sinking fund.

Specie Reserve and Note Circulation.

Just a word as to our specie reserve. The House will observe from this statement that on the 31st March, 1911, we held the large sum of \$74,472,977.17 in gold. That gold is held at the several offices of the Receiver General throughout Canada. In connection with our savings bank and our Post Office savings department, we are obliged by law to keep a reserve of 10 per cent. In connection with the note circulation of the Dominion—that is Dominion ones, twos, fours, and soon to be, five dollar bills, and notes of the larger denominations—we require by our legislation to keep gold reserves, not to the entire amount, however, outstanding, but for the first thirty million dollars of note circulation we require to keep 25 per cent in gold or in securities of the Dominion guaranteed as to principal and interest by the Imperial government. As a matter of fact that 25 per cent is held in gold. So that we have \$22,500,000 of free money for which there is as security the credit of the Dominion. But against the \$7,500,000 which is not free money, which forms part of the \$30,000,000 and is all the outstanding circulation in excess of the \$30,000,000, we hold dollar for dollar in gold. The basis, therefore, substantially, of the Dominion note circulation is gold and in so far as the banks of Canada hold Dominion notes as part of their assets, the basis is also gold. It is just as if they had the gold instead of the Dominion notes. Under the Bank Act we are required to keep at the several offices of the Receiver General notes for gold and gold for notes. The process is continually going on of exchanging gold which we receive from the banks for notes going out into circulation among the public and for what are known as 'legal tender' as between the banks in making their clearances. That process is going on all the time and the only reason I have adverted to it is not because I am not aware that most of the members of the House are entirely familiar with the facts, but that some may not have turned their minds upon it,

may not have obtained the information, and they may be interested to know that the basis of our circulation, in so far as the Dominion is concerned, is not its credit, although its credit is high, but substantially gold.

Loans Matured.

Now, I come to the question of loans. It is probably within the knowledge of most members of the House that for some years past Canada has been passing through a period in which her loans, contracted at earlier dates, have been maturing and provision has had to be made from time to time for their renewal, or to meet the maturities. Under normal conditions this would not be a difficult task for a country with the high standing and credit in the markets of the world of Canada. A loan to which I desire briefly to refer was placed upon the market by my predecessor in November, 1908. The year 1908, succeeding, as it did, the very trying year of 1907, was, I understand, a rather difficult year in which to finance, and instead of issuing the standard security of the Dominion, my predecessor, in November 1908, when a loan fell due issued, in order to meet this and some other obligations, a short date loan of £5,000,000. The rate of interest was $3\frac{3}{4}$ per cent. It was effected in June, 1908, and was repayable on the 1st of May, 1912. In connection with that loan, an offer was made to the holders of conversion into 3 per cent inscribed stock due in 1938 and a portion amounting to £120,850 was so converted. A portion held in the sinking fund of another loan was cancelled and there remains a total of £4,681,870 12s. 4d., to be provided for on the 1st of May. For some time past, or ever since last fall, although it is usual to make provision not more than two or three months beforehand, we have been closely watching the London money market, expecting a favourable opportunity of making a flotation. The conditions at the end of 1911 were decidedly adverse. International complications were thought to be threatening last fall, and in consequence, there began a withdrawal of gold. In order to meet the situation, the Bank of England, following the practice adopted in cases of the kind, advanced the bank rate to 4 per cent. At the close of the year we had the Bank of England rate at 4 per cent, while the European situation was anything but reassuring. The market improved somewhat for a portion of the year, but the outlook was still unfavourable. We were in constant touch with our financial agents, the Bank of Montreal, and as soon as the Bank of England rate dropped, as it did

recently to $3\frac{1}{2}$ per cent, and especially in view of the fact that labour conditions looked rather threatening, we decided to make an issue for the purpose of refunding and taking up that £5,000,000 short loan, to which I have referred, upon maturity. Accordingly, we issued on the 24th of February last upon the London market, a prospectus. We had underwritten this loan at 98, that also being the issue price. I cannot help but congratulate the government and the country, especially in view of recent occurrences and their probable effect, at all events, upon the immediate future, that we were able to obtain under such unfavourable conditions such a good price as 98 for our $3\frac{1}{2}$ per cent standard security. This security, as I have indicated to the House, is what we call the 1930-50 security, that is, it matures in 1950, with the privilege reserved to the government to redeem at any time after 1930.

Shortly after the loan had been underwritten and offered to the public, the strike of the miners broke out in Great Britain, and that strike is still hanging gloomily over the entire economic and financial situation. My own opinion is (it is only an opinion) that it must be speedily adjusted, but nevertheless it will be some time before its effects disappear, so far as the financial world is concerned. Therefore, I feel particularly fortunate—although I claim no merit except in acting promptly upon the advice of our fiscal agents—I feel that we are particularly fortunate in having placed our loan at the time we did. So far as the market reception of the loan is concerned, the public took thirty-five per cent, and sixty-five per cent remained in the hands of the underwriters. Now, it is possible to draw an altogether improper conclusion from the amount of securities which are left in the hands of the underwriters. Of late years there has rather grown up a habit in Great Britain on the part of the public, of waiting, in some cases, at all events, until after the public issue, in the hope that a comparatively large amount may be left in the hands of the underwriters and with the expectation in consequence of obtaining the securities offered at a somewhat lower rate. I believe, in connection with the last six million pounds sterling loan of the Dominion (a very large loan issued some two or three years ago) forty-three per cent was taken by the public and the balance left with the underwriters, although shortly afterwards this security went to a premium. In this case, I believe our loan is at a slight discount to-day, which means, of course, that the price, having regard to conditions, was all that we could have hoped to obtain.

Mr. NESBITT. Will the minister state whether that 98 was net or not?

Mr. WHITE (Leeds). 98 was the price at which the securities were underwritten and offered to the public. From that 98 must be deducted, as has been the case in connection with all our loans, the expenses of underwriting and all the other expenses connected with the issue which will, without doubt, be considerable. The question is often raised as to whether loans should be underwritten at all, and I have heard the query on more than one occasion as to whether undue commissions are not paid in connection with underwriting. Let me say to the House, as most hon. members know, underwriting is simply insurance. It is absolutely necessary that loans should be met when due, and as we must have the money for this maturity on May 1st, if we had to rely only on public subscription for this loan, we could never be certain that the money would be available at that date. No man, I do not care who he is, can foretell the market. One man's opinion may be a little more valuable than that of another, but nobody can foretell whether the public will or will not take an issue of securities. Not only that, but conditions may intervene which may change the whole financial situation almost over night, and have a profound bearing upon the question of whether or not a loan will be taken by the public.

Mr. NESBITT. I do not at all question the action of the Finance Minister in that respect.

Mr. WHITE (Leeds). I am very glad to have the assurance of my hon. friend on that point. My own view is that underwriting—and I am glad my hon. friend (Mr. Nesbitt) agrees—is absolutely necessary in order that the money will be available at the time it is required. Now, it is no doubt within the knowledge and observation of the House, that high grade, low interest bearing securities are not in the favour they once were. A few years ago only, the standard security of the Dominion was a three per cent security, but now it is a three and a half per cent security. Hon. gentlemen know what a great fall has taken place in the price of English consols, which are certainly among the best, if not the very best, securities in the world. What has been the cause? Is it that the credit of Great Britain is less high than it was; is it that the credit of the Dominion of Canada is less high than it was a few years ago? What is the cause for the increase in interest which nations must now pay in order to obtain the money required by them? My own opinion is that good times have a great deal to do with it.

Mr. MACLEAN (South York). What about bonused stock?

Mr. WHITE (Leeds.) We will come to that in a minute. Good times, the demand for money all over the world, the more general investment in industrial enterprises; these are the chief factors, I believe in the increase in the rate of interest and in the fall that has taken place in the price of high-grade low interest bearing securities. Then, in addition to that, there is the matter referred to by my hon. friend from South York (Mr. Maclean), there are the opportunities for investment in many other fields, and notably, let us say, tramway companies, railway companies, electrical companies of various kinds, the bonds of which seem to, and as a matter of fact do, give first-class security at a higher rate of interest than can be obtained by investment in municipal, provincial, or government securities, while, at the same time, they afford a greater prospect for appreciation. I think, too, that with the increase of wealth, people not only desire to obtain a higher rate of interest, but they are willing to take a little more risk. At all events, many factors enter into the situation; the demand for money, investment in railway and tramway and electrical companies, and other industrial companies; all these various undertakings and enterprises have entered into competition with the high-class securities of the world, and the result is that these high-class securities have fallen to a certain extent in price.

Railway Securities Guaranteed by the Government.

I shall deal now with one other matter, which has been frequently talked about and which it is in the interest of the Dominion should be discussed. It has been pointed out that the guaranteed securities, the securities of railway companies guaranteed by the Dominion, do not stand at as high a figure on the London market as they should, having regard to the price at which the Dominion's own securities stand. As I pointed out recently to the House, a guaranteed security never sells at quite as high a rate as a security which is a direct liability of the guarantor, and, notwithstanding that the guarantee of the Dominion in connection with these securities is unconditional and absolute, it cannot be expected that they will sell at as high a price as the securities of the Dominion, which constitute a direct obligation. In addition to that the Dominion securities are trustee investments, and the securities of a railway company guaranteed by the Dominion are not trustee investments. The result is that the securities of the Dominion are in demand by trustees, who control immense sums of money in the old world,

whereas the same conditions do not apply with regard to the loans of railway companies guaranteed by the Dominion.

Mr. MACLEAN (South York). What is about the net difference in price?

Mr. WHITE (Leeds). Take, for example, the case of the Grand Trunk Pacific, because it was with special regard to the Grand Trunk Pacific that I brought the matter to the attention of the House. The Grand Trunk Pacific securities are 3 per cents, and they are selling at, I think, from 80 to 82. That of course seems a very large discount from par. Our own securities which we have sold on the market at 98 are $3\frac{1}{2}$ per cents. In order to make the comparison, therefore, we must put the Grand Trunk Pacifics on a $3\frac{1}{2}$ per cent basis. For my own satisfaction, I had this calculation worked out, and I found that a rate of 82 on a 3 per cent security 50 years maturity, is about the equivalent of 94 on a $3\frac{1}{2}$ per cent basis.

Mr. MACLEAN (Halifax). What is the rate of the Canadian Northern Ontario loan?

Mr. WHITE (Leeds). The Canadian Northern Ontario guaranteed by the Dominion, was issued at 93 on the London market at a time when the Canadian Northern Alberta, which was guaranteed by the Dominion government, was quoted at $93\frac{1}{2}$ to $94\frac{1}{2}$, and there was in that amount, I should think, about one point of accrued interest so that the issue of Canadian Northern Ontario guaranteed by the Dominion was just about on a parity with the Canadian Northern Alberta guaranteed by the Dominion. If you have a quotation on the London market, we will say, of 93 or 94, for a guaranteed security, and if you have a quotation of, we will say, 100 for a Dominion security, if you offer to the public any considerable amount such as £5,000,000 or £7,000,000, you must reduce from the nominal quotation one or two points, that is obvious. With a nominal quotation at par, we will say 100 or $100\frac{1}{2}$ or 101, there is usually a narrow market, but when you come to put on a large amount offered to the public you must reduce that quotation by one or two points. The Canadian Northern Ontario was put on to the public at about 93 and having regard to the quotation of the Canadian Northern Alberta guaranteed by the Dominion at the time, it seems to me that the figure, so far as the offer was concerned, was fair and reasonable.

Mr. MACLEAN (Halifax). Was the government guarantee of the Canadian Northern Ontario railway issue all made at one and the same time, that is the whole \$35,000,000?

Mr. WHITE (Leeds). Under the legislation of last year, the securities of the Canadian Northern Ontario Railway Company for the line of railway between Port Arthur and Montreal a total of 1,016 miles, securities to the amount of £7,000,000 were authorized to be issued by the railway company bearing the guarantee of the Dominion government. The legislation provided for the execution of a trust mortgage in the usual form providing for the issue of the securities. It is usual in connection with a trust mortgage such as that to provide that the securities may be sold and the money paid in to the credit of the Receiver General of Canada to be paid out from time to time as progress certificates are presented, approved by the Railway Department, for the purpose of meeting the expenditures on the line. Therefore, so far as the legislation is concerned, the Dominion's guarantee attached to the entire issue of £7,000,000.

Mr. MACLEAN (Halifax). My question was whether the government were justified in attaching their guarantee to the whole issue at one time and giving that large amount to the public. There was possibly a danger that that \$35,000,000 issue of bonds of one railway company guaranteed by Canada might hurt the general credit of the country for general purposes. I want to know if the minister does not think this should be done at different times?

Mr. WHITE (Leeds). My hon. friend does not quite understand the situation. The £7,000,000 bonds guaranteed loan of the Canadian Northern Ontario Railway Company was not placed upon the market by the Canadian Northern Railway Company. It was sold to a London house for a net figure of 90 $\frac{3}{4}$. I need not now delay to show that if the amount of commission which usually runs from 2 per cent to 2 $\frac{1}{2}$ per cent is added to the 90 $\frac{3}{4}$ an issue price of 93 is reached.

Mr. MACLEAN (Halifax). I am not objecting to the amount realized. I think I am correct in stating that under the statute authorizing this guarantee, authority was given to the Minister of Finance to use his discretion as to whether or not he should attach the guarantee for the whole amount at one time or to different amounts at different times. There was, of course, a possibility of danger to other Canadian borrowers, in placing the whole amount on the market at one time.

Mr. WHITE (Leeds). My hon. friend, I think, has not read the trust mortgage as carefully as he should have done. If he will read the trust mortgage he will find that the securities belong to the railway company and are to be sold in such

amounts at such a premium or at such a discount to such persons as the railway company may determine, subject only to the approval of the Minister or the Government. Bear in mind that these are the securities of the Canadian Northern Ontario Railway Company and that the Dominion is guaranteed as against its guarantee by the guarantee also of the Canadian Northern Railway Company which is a different corporation. Now what is the position? It is in the interest of the Canadian Northern Ontario Railway Company to get the highest possible figure for their securities; the direct liability is the liability of the Canadian Northern Railway Company and the contingent liability is the liability of the Dominion.

Now, the negotiation for the sale of the securities is not with the Finance Minister but with the railway company, and without going into all the papers which have been asked for by my hon. friend, and which will be brought down, let me say that the Canadian Northern Ontario Railway Company, desirous of having funds in hand to carry out without delay this great enterprise so much needed, especially by the west, of constructing a through line of 1,016 miles from Port Arthur to Montreal, in view of the international situation existing last fall which I have mentioned, and in view of the fact that they have borrowed large sums for construction already entered upon and other expenditures to a large amount in connection therewith, came to the conclusion that it was in their interest, in order to ensure that the money would be available for the construction of the line, to accept the offer which was made to them by a prominent and strong house in Great Britain to purchase the entire £7,000,000 of their securities guaranteed by the government, with payments to come in over a period of two years as they might be required for the construction of the line. Now, my hon. friend (Mr. Maclean) has called attention to the large amounts; let me point this out to him: If he had looked at the legislation under which this trust mortgage was executed he would have ascertained that the rate of issue is about \$35,000 per mile. Now, what does that mean? It means a very expensive, a very costly, construction. It means an expensive right of way, and expensive construction along the north shore. The Dominion guarantee on the Prairie Section of the Grand Trunk Pacific is \$13,000 per mile.

Mr. NESBITT. I am not objecting to that.

Mr. WHITE (Leeds). What I want to point out to my hon. friend is this: That for every mile of Canadian Northern Ontario railway line of construction, almost three times the

amount would be required, as far as the government's guarantee securities are concerned, that would be required for one mile of the Prairie Section of the Grand Trunk Pacific. Now, the Canadian Northern Ontario Railway Company estimate that this year, probably in the next few months, they will spend from \$15,000,000 to \$20,000,000 upon this line, working at it at various points acquiring their right of way and constructing their line. Let me ask my hon. friend if the judgment of the president of that company in selling his securities at the time he did has not been abundantly justified in view of the economic and financial situation as we see it in Great Britain to-day? It is of the utmost importance to this country that this line should be built. If that issue had not been made, if these securities had not been sold, the Canadian Northern Ontario Railway Company would have been delayed and hampered in its operations in building its line of 1,016 miles from Port Arthur to Montreal. It is in the interest not only of the province of Ontario, but of the Dominion of Canada as a whole, west and east, that this line should be built without any delay whatsoever. As a result of the sale of the securities by the president of the Canadian Northern Railway Company at the figure mentioned and on the terms which I have indicated, the money for the construction of this line is available from month to month as construction proceeds so that there will be no delay whatsoever; and I am sure from information in my office, which I am sure will satisfy my hon. friend, this line will in all probability be completed some time next year at the latest.

Mr. LALOR. Does the government retain any control in the amount actually expended per mile?

Mr. WHITE (Leeds). Let me explain that to my hon. friend. A contract is entered into for a certain standard of construction in connection with these lines, and when the guaranteed securities are sold, the money is paid into the credit of the Receiver General with certain banks. As construction proceeds, accounts are paid out not exceeding \$35,000 per mile, in this particular case from those proceeds upon certificates of expenditure approved by the Railway Department, through its engineers, so that in that sense the government does retain control. In other words it retains control of the funds until satisfied that the money has been expended for the purposes for which it was authorized.

Maturing Loans.

I have gone quite a distance afield, and I must return to the question of our loans. On 1st October next there falls due a sum of £1,235,000 of the 4 per cent loan issued in December, 1907, for which care will be taken to provide on the date of maturity. It may be of interest to this House to know that only two loans will then remain to be provided for until 1930, or during the next 18 years. Of these two loans, one is a 4 per cent loan of 1878, guaranteed by the Imperial government for £1,700,000, and a 3½ per cent loan of 1914-19, so called, of £6,000,000. The former is due on the 1st October, 1913, and the latter between 1914 and 1919, on the government giving three months' notice. I have thus indicated to the House the financial position of the Dominion so far as the maturing of loans is concerned and I must say it appears to me, as I am sure it does to the House, having regard to these maturities, to be satisfactory.

Capital and Special Expenditures. Transcontinental Railway.

Now I come to another matter in which I bespeak the attention of the House as it deals with the Transcontinental railway, or at least the eastern division of that line, and I have thought it well when dealing with the liabilities of the Dominion and our future maturities, to advert briefly to this portion of the Transcontinental which is our chief national undertaking at the present time. The heavy cost of the eastern section of that railway, so greatly in excess of the estimate of the late government might prove, and I know it has proved to a certain extent, somewhat disturbing to the House and to the public. Up to the 31st March, 1911, there had been expended in cash upon this undertaking the sum of \$95,422,533.44. For the current year it is estimated that the outlay will amount to about \$22,500,000, so that at the end of the present fiscal year the Dominion will have expended nearly \$118,000,000. Now, in view of this large outlay, and I think probably that at least \$100,000,000 additional will be expended before completion, I have thought it advisable in the financial interest of the Dominion to present a statement of capital and special expenditures from 1904 onward, that being the first year of the expenditure on Transcontinental railway account dividing them into outlays on the railway on the one hand and on the other the capital and special outlays for other purposes. Against these I have set the increase and decrease of debt for the respective years, and from

the statement it will be found that from the year 1904 to the 31st March, 1911, Canada expended \$95,422,533.44 on National Transcontinental railway account. On other capital and special expenditures the outlay amounted to \$123,362,714.56, or a total capital and special expenditure of \$218,785,248. I am giving this statement not from any partisan standpoint, but in the interest of the Dominion, because I do not desire that there should be any disturbance or misgiving with regard to the very large amount of capital expended upon this road.

I have said that during these years, the total capital and special expenditure was \$218,785,248. During that period the increase of debt was \$78,435,063.16. If to these figures we add the estimated results of the operations of the year 1911-12, we have the following:

Estimated outlay for Transcontinental railway to March 31, 1912.. . . .	\$117,922,533 44
Other capital and special expenditures.. ..	134,862,714 56
Total estimated expenditure.. . . .	\$252,785,248 00
Total estimated increased debt during the period from 1904 to March 31, 1912.. ..	77,235,063 16

I desire to say, both to those of our own Dominion, and to those in Great Britain, if there be any, who have felt misgivings as to the very large amount of estimated expenditure upon the eastern section of the National Transcontinental and the burden entailed upon the country in consequence, that I think it will be reassuring, completely reassuring, to know that, great as the cost has been, and will be, a large proportion of that cost for the past, has been and for the future, (if conditions continue as I believe may very well be expected), will be liquidated from the surpluses of consolidated revenue account and will not become a charge upon the future. I think we are all glad that we are able to make that statement. The following is the summary of the capital and special expenditure, to which I have referred:

CAPITAL AND SPECIAL EXPENDITURES.

Year.	National Trans- continental Railway.	Other than N.T.C. Railway.	Total.	Increase or Decrease of Debt.
	\$	\$	\$	\$
1904.....	6,249 40	16,635,965 53	16,642,214 93	- 739,270 27
1905.....	778,491 28	14,705,964 63	15,484,455 91	5,356,448 00
1906.....	1,841,269 95	14,195,730 82	16,037,000 77	818,811 15
1907.....	5,537,867 50	8,698,109 98	14,235,977 48	- 3,371,117 79
1908.....	18,910,253 58	17,026,974 70	35,937,228 28	14,288,999 88
1909.....	24,892,351 23	24,484,940 68	49,377,291 91	45,969,419 33
1910.....	19,968,064 31	16,015,962 27	35,984,026 58	12,338,267 16
1911.....	23,487,986 19	11,599,065 95	35,087,052 14	3,773,505 70
	95,422,533 44	123,362,714 56	218,785,248 00	82,545,451 22
				- 4,110,388 06
				78,435,063 16
1911-12 (Estimated)..	22,500,000 00	11,500,000 00	34,000,000 00	- 1,150,000 00
	117,922,533 44	134,862,714 56	252,785,248 00	77,285,063 16

Trade Statistics.

I come now to the consideration of the trade of the Dominion. And I am sorry that I have occupied so long a time in this speech. But I must leave a part of the blame at least, with my hon. friend, the junior member for Halifax (Mr. Maclean) for introducing matters which, if not irrelevant, at least are of a kind that I would rather have dealt with some other day.

Mr. MACLEAN (Halifax). The hon. member for South York (Mr. Maclean) is the man to blame for that.

Mr. WHITE (Leeds). But the hon. gentleman (Mr. Maclean) Halifax, is such a genial member that I bear him no ill-will, by reason of the interruption, especially as it is possible that the information I gave may have been of service and of interest to the House. Now, as to the trade of the Dominion: According to the statistics our trade continues to show substantial increase. For the first ten months of the present fiscal year, our total trade was \$711,199,802, as against \$634,431,075 for the corresponding period of the last fiscal year. The comparative figures for the past three years are as follows:—

Year.	Total Imports into Canada.	Total Exports from Canada.	Total Trade.
	\$	\$	\$
1909	309,756,608	261,512,159	571,268,767
1910	391,852,692	301,358,529	693,211,221
1911	472,247,540	297,196,365	769,443,905

It is interesting to note that the volume of our trade has just about double since 1900. A noticeable feature in connection with this expansion is that, while the imports have increased in that time by almost 150 per cent the exports have increased by only about 55 per cent. In all the main lines of produce the exports have increased except in the one principal item, 'animals and their products,' which shows a decline, due, I have no doubt in large measure to the greatly increased demand of the home market. The following comparative figures will be of interest as showing the increase of our trade with the mother country in the last five years:—

TRADE WITH GREAT BRITAIN—MERCHANDISE ONLY.

Fiscal Year.	Imports for consumption from Great Britain.	Exports to Great Britain.	Aggregate Trade.
	\$	\$	\$
1908	94,417,314	134,477,124	228,894,438
1909	70,682,101	133,745,123	204,427,224
1910	95,336,427	149,630,488	244,966,915
1911	109,934,665	136,962,971	246,897,636
9 months ending Dec. 31, 1911.....	85,046,132	126,733,235	211,779,367

Now, I wish to touch very briefly on the question of immigration.

Mr. LEMIEUX. May I ask if the hon. gentleman has the figures of trade with the United States? I do not wish to interrupt the hon. minister. If he will merely place the figures on 'Hansard,' that will be all I desire.

Mr. WHITE (Leeds). I have the figures here. They are as follows:—

TRADE WITH UNITED STATES—MERCHANDISE ONLY.

Fiscal Year.	Imports for con- sumption from United States.	Exports to United States.	Aggregate Trade.
	\$	\$	\$
1908	204,648,885	96,920,138	301,569,023
1909	170,056,178	91,022,387	261,078,565
1910	217,502,415	110,614,327	328,116,742
1911	274,844,858	112,208,676	387,053,534
9 months ending Dec. 31, 1911..	244,190,608	83,495,234	327,685,742

Immigration.

I was about to deal with immigration. The figures of immigration for the past three years are as follows:—

Year.	Great Britain and Ireland.	Other countries except United States.	United States.	Total.
1908-09	52,901	34,175	59,832	146,908
1909-10	59,790	45,206	103,798	208,794
1910-11	123,013	66,620	121,451	311,084
Total.....	235,704	146,001	285,081	666,786

I am sure it will be gratifying to us all to have this stream of immigration flowing into this country. I think we depend for our continued prosperity in this country upon continuous immigration of the right sort and upon a continuous flow of British money. Therefore, we should use every effort, as we do now, to promote the flow of immigration into Canada, and also to enhance the credit of this country in the money markets of the world, that these two great forces, joined with the enterprise, energy and character of the Canadian people, may develop the great natural resources of this country.

Now, it will also be gratifying to observe that of this immigration 235,000 are of our own kinsman from Great Britain and Ireland. I have no doubt that the immigration from other countries is much of it desirable; it comes of the hardy races, they are men who will take hold here and become part of our Canadian citizenship, and assist in our development. I believe myself in the absorptive and assimilating power of a country such as Canada, and I have no fear that these men, coming as they do from hardy races—though I believe in a selected immigration—will make good citizens and good Canadians. In regard to the United States, 285,081 immigrants came in during the last three years from the republic to the south, and 111,706 came in during the ten months of the present fiscal year. In my belief these are most excellent settlers. They are intelligent men, they are experienced farmers, they have capital, they have enterprise, they have character. They know what to do, they go at once to work, and they are good farmers, and add greatly to the productivity of our country. It is gratifying to me that we have such a stream of these settlers coming from the great republic to the south. They are men who have sold their higher priced farms in that country, and have come here to acquire lower priced lands, though equally good, if not better, and who will do their part in the development of our great west.

Now in connection with immigration, let me say that while in the west the land has been the lure, and of course is the great attraction to the home seeker, at the same time I am glad to say that it is the policy of this government to encourage immigration to the other provinces of Canada. My hon. friend the Minister of the Interior (Mr. Rogers), has been taking the matter up with the several provincial governments with a view of bringing in desirable immigrants suited to the purposes of each province. There is much to be done in the way of intensive farming in the eastern provinces, much to be done in the way of dairy farming, much to be done in the way of fruit farming. In addition to all that, one of the great needs of the farmers of this country is intelligent help on the farms of the east, because we know that the east has been drained to a large extent to build up the west. An intelligent immigration policy directed to supplying as far as possible the great needs of eastern farmers, to procure for them the help which they require on their farms, will be a great boon to them, and I think will be much appreciated.

Now, I have some statistics here as to railway mileage, as to our chartered banks; their deposits and discounts, as indicating the prosperity and advance of the country during the past two years:

RAILWAY MILEAGE.

The railway mileage reported in operation on the 30th June, 1911, was 25,400, or about double what it was in 1889, and an increase of 669 miles over the previous year. The statistics of the Railway Department indicate further nearly 1,600 miles of railway in actual operation on the 30th June, but officially regarded as still under construction. In addition, the department says it may be fairly assumed that 2,500 miles were surveyed and located, or in process of being surveyed, on the 30th June last.

For the year ended 30th June, 1911, the volume of freight traffic showed an increase of 7.2 per cent over the previous year.

BANK STATISTICS.

As evidencing the remarkable progress of the country over decades the following statistics with regard to chartered banks may be of interest to the House and the country.

Deposits by the public in Chartered Banks—

On June 30, 1881.. . . .	\$ 83,666,139
“ 1891.. . . .	142,633,216
“ 1901.. . . .	315,775,429
“ 1911.. . . .	874,672,408
On January 31, 1912.. . . .	913,784,136

Discounts of the Chartered Banks of Canada—

On June 30, 1881.. . . .	\$134,113,252
“ 1891.. . . .	202,692,481
“ 1901.. . . .	318,240,549
“ 1911.. . . .	786,743,770
On January 31, 1912.. . . .	851,027,845

Paid-up Capital Chartered Banks—

On June 30, 1881.. . . .	\$ 59,384,957
“ 1891.. . . .	60,742,365
“ 1901.. . . .	67,095,718
“ 1911.. . . .	101,065,306

No Tariff Changes.

Now I come to the question of the tariff. In view of the legislation of this session providing for the creation of a Tariff Commission, whose duties it will be to obtain and submit for the information of the government evidence and data from which the question of customs duties may be considered with greater certainty of knowledge than has been possible in the past, we have no tariff changes to propose at the present session.

There have been, of course, many request for such changes and much could doubtless be said in favour of legislation with regard to certain articles and commodities either by way of reduction or increase in tariff rates, but in our judgment there is no case of such urgency as may not without hardship await the consideration of the commission. The inadvisability, also, of lightly interfering with the tariff in times of such prosperity as we now enjoy must be patent to all.

Mr. MACDONALD. Do I understand that my hon. friend does not mean to propose any resolutions in regard to the tariff bounties on iron and steel?

Mr. WHITE (Leeds). My hon. friend understands correctly that it is not my intention to propose any resolutions in regard to the tariff or bounties.

Reciprocity.

Now I shall advert briefly to the matter of the reciprocity proposals. The economic and political feature of the past year was the rejection by the Canadian people of the reciprocity agreement negotiated with the United States by the late government. This subject has been so fully discussed, not only in Canada, but in Great Britain, and the United States, that I shall content myself by saying that the causes for rejection were both economic and national. In a period of the greatest prosperity our people were naturally loth to enter upon an experiment the alleged advantages of which appeared to them, to say the least, dubious. With the great growth and development of Canada under the policy of protection to the farmer as well as the manufacturer, the people came to fully realize the advantages of their home market and of our interprovincial trade built up at enormous cost of energy and capital on lines rendered necessary by the economic conditions under which the country has developed during so many years of growth and progress. That they also feared the loss of their fiscal independence was clearly apparent. The rejection implied no hostility on their part to the great republic to the south. On

the contrary, I believe the relations between the two countries will continue in the future as in the past to be of the most friendly and neighbourly character.

Conclusion.

It will, as I have said before, be gratifying to all that the material prosperity with which we have been so highly favoured still continues to be our portion. Despite the serious vicissitudes through which the western wheat crop has passed and the unusual heat experienced in the province of Ontario during the past summer, the field crops of Canada show a bountiful yield and with the high prices prevailing for practically all its products the great basic industry of agriculture continues in a flourishing condition. Almost every department of trade and commerce shows expansion. Our mines are wonderfully productive. Our coast fisheries, notably the Atlantic, have enjoyed a good catch and high prices. Our manufacturers are thriving and new industries are springing up throughout the whole Dominion. Railway construction, especially in the west, proceeds apace, preparing a way for settlement in districts not yet opened up and for trade with other markets than we now enjoy. Our increased bank deposits, clearings and circulation, the amount of public and private building evidenced in municipal and business structures, extensions to manufacturing plants and residences in almost every part of the country, all attest that the general prosperity of Canada at the present time is very great.

Our Dominion continues to be the land of hope and promise to the home seeker. During the last year, as before shown, our immigration from Europe and the United States reached an average of nearly a thousand a day, bringing their capital, their intelligence and their energy to assist in the great task of developing the resources of Canada and building up her nationality. Much has been said in the past with which I am in accord as to the selection of immigration as far as possible with an eye to the quality and character of our future citizenship. Notwithstanding the large stream of immigration, labour conditions are good and extreme poverty, from any reason other than incapacity or direct misfortune, is hardly known.

Under the favourable conditions which I have described, and with every prospect for their continuance, the future of Canada looks bright indeed. In the enjoyment of peace, plenty and prosperity her energetic, loyal and patriotic people look forward with hope and expectation to an ever great and greater future.

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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

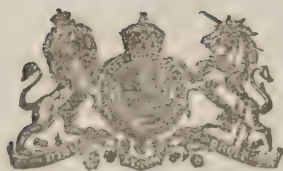
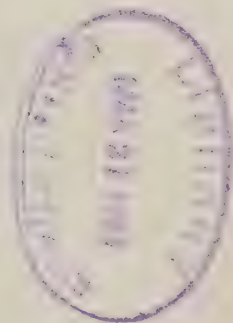
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

MONDAY, MAY 12

1913



OTTAWA

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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, MONDAY, MAY 12, 1913.

WAYS AND MEANS—THE BUDGET.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said: Mr. Speaker, it is usual to give a few days' notice of the budget, and it was my intention to have conformed with that practice and to have brought it down on Thursday next, giving notice to-day. I have learned that it will be necessary for me to leave the city for possibly a few days or longer on account of the very serious illness of a member of my family circle and, in consequence of the lateness of the date in the session and by the courtesy of the right hon. leader of the Opposition (Sir Wilfrid Laurier), to whom I am much indebted, and my hon. friend from Halifax (Mr. Maclean), who will follow me, I have decided to bring down the budget to-day, and in doing so I shall probably facilitate the business of the House.

On this occasion of my second presentation of the annual statement of the financial affairs of the Dominion it again falls agreeably to my lot to extend my most hearty congratulations to the House and the country upon the prosperous conditions which it continues to be our good fortune to enjoy.

FISCAL YEAR 1911-12.

The Budget Speech of 1912 was delivered on March 13, and as our fiscal year ends on March 31, it will be necessary

for me, following the usual practice of the past, and before dealing with the current year, to review the results of 1911-12 as disclosed in the completed accounts which, with the report of the Auditor General, have now been public for some considerable time. On the whole the estimate of the year's operations was fairly well borne out. Taking first the revenue, the total receipts for the year ended March 31, 1912, reached the sum of \$136,108,217.36, or a little over \$100,000 more than I estimated in my statement to the House, and an increase over the revenue of the previous year of \$18,327,807.58. This large increase, representing about fifteen and a half per cent of the revenue of 1910-11, was fairly evenly distributed over the several months of the year. For the information of the House I submit herewith in tabular form a comparative statement showing the total revenue for each of the two preceding fiscal years, the sources from which derived and the amount and increase from each respectively:

CONSOLIDATED FUND: REVENUE.

—	1910-11.		1911-12.		Increase.	
	\$	cts.	\$	cts.	\$	cts.
Customs.....	71,838,088	46	85,051,872	18	13,213,783	72
Excise.....	16,869,837	36	19,261,661	97	2,391,824	61
Post Office.....	9,146,952	47	10,492,394	18	1,345,441	71
Railways.....	10,249,391	94	11,034,165	83	784,773	89
Miscellaneous.....	9,676,139	55	10,268,123	20	591,983	65
	117,780,409	78	136,108,217	36	18,327,807	58

Of the total revenues it thus appears that over three-fourths was derived from customs and excise. To be more precise 62.4 per cent came from customs and 14 per cent from excise. In the former there was an increase over the previous year of 18.3 per cent and in the latter of 14 per cent. This very large increase in customs revenue does not appear to have been obtained from any particular lines of importations which were generally of large proportion. The average rate of duty, including both dutiable and free goods, was 16.694 per cent, the average rate of duty on dutiable goods for the same period being 25.963 per cent.

With regard to excise, as might be expected the increased revenue is mainly attributable to the three main items—spirits, tobacco and malt. It will be observed that the railways show a very substantial improvement in receipts and the large

volume of post office revenue, which amounted to \$10,492,394.18, or \$1,345,441.71 more than in 1910-11, is a fair indication of the increase in general business throughout Canada.

While dealing with the revenue it may be interesting to point out that for the year 1911-12 it was more than double that of 1902-03, ten years previously. The large increases in our receipts in recent years are no doubt due in chief measure to greater consumption consequent upon capital expenditure on railways, and other productive undertakings, the extension of industrial enterprise, the increasing wants of a rapidly growing and generally prosperous community and not least the great stream of immigration from Great Britain, the continent and United States, attracted by the rich opportunities offered by the Dominion at this great period of its development.

CONSOLIDATED FUND: EXPENDITURE 1911-12.

I have dealt with revenue for the fiscal year of 1911-12 and turn now to its expenditure. This item embraces two headings, viz: ordinary current expenditure upon our various services and minor public works, and capital expenditure representing outlay upon undertakings of a permanent character or national plant or assets, so to speak.

The ordinary running expenditure for 1911-12 amounted to \$98,161,440.77, or an increase of \$10,387,242.45 over similar expenditure for the preceding year. A portion of this increase is more apparent than real because it represents outlays for post office and railway service which are counter-balanced by receipts on the other side. The principal items of increase were in the outlays for census, militia, public works and subsidies to provinces. In view of the larger public requirements of the country on account of the general expansion of business and growth of population, the increase is by no means abnormal. The amount of expenditure on this Consolidated Fund Account, as it is called, has slightly more than doubled in a period of twelve years.

I have already stated the amount of revenue for the year to have been \$136,108,217.36, and the ordinary expenditure to have been \$98,161,440.77. It will thus be seen that so far as the ordinary expenses of the country are concerned there was a surplus of \$37,946,776.59.

Turning from this class to capital and special expenditures, we find the amount charged to those accounts to have been \$38,980,641.43, or \$1,161,440.77 more than estimated.

The items are as follows:

CAPITAL AND SPECIAL EXPENDITURE 1911-12.

National Transcontinental railway	\$21,110,352 05
Other railways, canals and public works.....	9,829,223 90
Railway subsidies	859,400 25
Grand Trunk Pacific railway implementing....	4,994,416 66
Charges of Management Loan Account.....	1,082,121 67
Various miscellaneous items	1,105,126 90

\$38,980,641 43

The expenditure on the Transcontinental railway reached the considerable sum of over \$21,000,000, but as the years of heavy construction have passed the outlays for this service will in the future decline materially.

On other railways and cognate works there was an outlay of \$3,151,900.74, of which \$1,710,448.56 was spent on the Intercolonial railway and \$1,153,778.27 on the Quebec bridge.

On canals there was an expenditure of \$2,560,938.11, of which \$1,746,095.48 represents outlay on the Trent Canal system.

For public works there was applied on capital account the sum of \$4,116,385.05, of which \$1,167,462.56 was spent on the River St. Lawrence ship channel.

In assisting the construction of sundry railways throughout Canada we paid as railway subsidies \$859,400.25; and to meet the obligation of the Crown under the judgment of the Judicial Committee of the Privy Council, which has already been fully explained to the House, the sum of \$4,994,416.66 was paid to the Grand Trunk Railway Company.

These amounts, with various other obligations, reached, as I have previously stated, a total sum of \$38,980,641.43. As against this we had a surplus of Consolidated Fund receipts over Consolidated Fund or ordinary expenditure of \$37,946,776.59, to which if there is added the outlay of \$1,156,458.16 on account of sinking fund (this, while an expenditure on the one side, representing an investment on the other) we have \$39,103,232.75, giving us, as the result of the whole operations of the fiscal year 1911-12, a reduction in the debt of Canada of \$122,591.32.

FISCAL YEAR 1912-13.

REVENUE, EXPENDITURE AND SURPLUS.

So far I have dealt with the affairs of the fiscal year 1911-12, and I am sure the results must have been most gratifying to the House, inasmuch as, notwithstanding the generous appropriations which were made for all the services of the

country, the net result was practically an equilibrium between the revenue on the one hand and expenditure of all kinds on the other. I am happy to announce that the outcome of the last fiscal year, which ended on March 31, will prove even more satisfactory as reflecting by far the highest pitch to which our national revenues and prosperity have yet attained. The revenue for 1912, as I have stated, amounted to \$136,108,217.-36. I have every expectation that when the books of the fiscal year 1913 are closed, it will be found that the total revenue will have reached the splendid total of \$168,250,000, or an increase over the year 1911-12 of over \$32,000,000. Some indication of the magnificent growth of the Dominion may be gleaned from the fact that this increase in revenue during the period of one year almost equals the entire revenue of the country twenty years ago.

The augmentation of revenue to which I have referred has not been irregular, spasmodic or intermittent in its nature, but has steadily characterized each month of the entire fiscal year. It was, of course, mainly derived from customs receipts, but the other sources of revenue—excise, post office and railways—also gave us very substantial increases.

So far as the ordinary running expenditure is concerned, the increase over the previous year was, as anticipated, considerable. The estimates for the year had made generous provision for public works. Provincial subsidies had increased, partially owing to the result of the census and partly on account of special legislation dealing with Manitoba and Prince Edward Island. The post office, railway, customs and other services demanded larger outlays. Notwithstanding these facts, however, the ordinary current expenditure, which in the previous year amounted to \$98,161,440.77, will be found not to have exceeded \$113,250,000, leaving a surplus of \$55,000,000, against outlays upon capital and special accounts, that is to say, upon public works, national and permanent in character, the National Transcontinental and other railways and canals. On these undertakings the expenditure will probably be found not to have exceeded \$33,000,000, so that, bearing in mind that the expenditure out of consolidated fund for sinking fund purposes will amount to about \$1,300,000, the result of the financial operations for the year will be a reduction of about \$23,300,000 in the net debt of the Dominion. That in a period of great financial stringency not only have we not been obliged to resort to the congested money markets of the world, but have been able to reduce so substantially the debt of the

Dominion, thus diminishing our interest charges and still further enhancing the high standing of our securities, must be a matter of gratification both to this House and the people of Canada.

MATURED LOANS 1912-13.

In my Budget Speech delivered in March of last year, I called attention to an issue of Dominion securities made a short time before to provide for the redemption of a $3\frac{1}{2}$ per cent loan made in 1908 and maturing on May 1, 1912. The total amount of this maturing obligation was £4,681,870 12s. 4d., of which £3,563,858 16s. 10d. was redeemed in cash and £1,118,011 15s. 6d. was converted into our $3\frac{1}{2}$ per cent 1930-50 stock in accordance with the terms of the refunding issue. In addition to this loan, there fell due on October 1, 1912, a balance of £1,235,000 outstanding of the 4 per cent loan issued in December, 1907. Owing to the favourable state of our finances we were in a position to pay off this loan in cash without having recourse to the issue of bills or securities.

For the same reason it has been possible to us to effect a substantial saving to the Dominion by the purchase, under legislation passed during the present session, of three per cent 50-year debentures of the Grand Trunk Pacific Railway Company, guaranteed as to principal and interest by the Dominion of Canada, issued in respect of the western division of the National Transcontinental railway, with regard to which the Dominion, by virtue of a judgment of the Judicial Committee of the Privy Council, was required to implement the net selling price so that the full par value of the securities would be obtained and applied on account of expenditure upon the construction of the railway. Under the authority of the legislation mentioned, securities of the par value of \$13,961,006.65 have already been purchased; and, from month to month as funds are required, further purchases will be made until the remainder of the issue has been acquired. When the transaction is completed, if the entire amount of the authorized issue of £14,000,000 is required—and it is altogether probable that it will—the Dominion will hold about \$35,000,000 par value of these securities. In addition to the gain to the Dominion of saving a portion of the so-called ‘implementing money,’ the purchase avoided the necessity of the placing of our guaranteed securities on the London market at a time last year when, owing to the severe market conditions prevailing, the price obtainable would necessarily have reflected ad-

versely upon that of our own standard stock and of all other securities guaranteed by the Dominion. In other words, the excellent financial condition in which the Dominion happened to be during the year, and more especially last fall, enabled us to buy in to the extent of several millions of dollars the guaranteed securities of the Grand Trunk Pacific Railway Company of which otherwise an issue would have had to be made in order to provide money for the construction of the western division of the railway.

THE NET DEBT.

As I have already stated the result of the financial operations of the year 1911-12 was a decrease of \$122,591.32 in the net debt of the Dominion. This reduction left the amount of the net debt as of March 31, 1912, at \$339,919,460.71. As I have pointed out a further reduction of \$23,300,000 was effected during the past fiscal year so that on March 31 last, the net debt was approximately \$316,619,460. The precise figure cannot be given until the books are finally closed during the course of a month. It may be affirmed without question that this amount of indebtedness is not only not excessive but exceptionally reasonable in amount for a country with the territory, resources, wealth and development of Canada. It represents less than two years' revenue on the basis of the past fiscal year, and about \$40 per head of population. As I pointed out to the House last year only two loans remain to be provided for until 1930. Of these, one of £1,700,000, being a portion of the four per cent loan guarantee by the Imperial Government and issued in 1878, matures on October 1 next, and provision will be duly made for its payment. The other is a three and three-quarters per cent loan repayable between 1914 and 1919 upon three months' notice by the Government of the Dominion.

Sir WILFRID LAURIER: How much is that loan?

Mr. WHITE: I will obtain that figure in a moment. It was inadvertently omitted from my notes; I observed that myself. The amount is £6,000,000.

FINANCIAL CONDITIONS.

While dealing with the matter of our maturing loans it might not be out of place to refer to prevailing financial conditions both here and abroad. While the year 1912 was on the

whole marked by exceeding prosperity not only in Canada but in the United Kingdom and throughout the world, various occurrences have had a serious effect in producing a protracted money stringency which is still making itself felt both in Europe and America. In our own Dominion the requirements of our agricultural, industrial and commercial communities, together with their progressive and rapidly developing provinces, cities and municipalities have produced large demands for money. Abroad, the financial outlook has been dark and threatening for more than a year, due at an earlier period to industrial disturbances of an unsettling character and later to the outbreak of the war between the Balkan States and Turkey and to complications connected therewith menacing the peace of Europe. As a result there has been a marked scarcity of money with the accompanying phenomena of high rates of interest not only for short but for long terms and in consequence a change in the basis upon which high class securities have been marketed. The Bank of England official rate of discount, which at the beginning of 1912 was three and a half per cent, falling in May to three per cent, rose to four per cent by the end of August, and was further increased to five per cent in October. Recently it has been reduced to four and one-half per cent. I rather look for improved conditions, so far as interest rates are concerned, towards the end of the calendar year, but, notwithstanding, I think it may be stated that, speaking of the coming year generally, we may look for reasonably high rates of interest. Usually a money stringency contains within itself, as I have said before, the seeds of its own remedy or cure. Financial houses throughout the world are constantly putting themselves in a stronger position, apprehensive of the future, and as a result there is an accumulation of money from which, in time—as in the case of Europe to-day the prospects of peace having materially brightened—lower rates of interest are certain to result. At all events that has been the general experience. As an outcome of the conditions mentioned some of our provinces, cities and other municipalities have been obliged to pay a higher rate than hitherto upon new issues of securities. In common with all other high-priced securities our three and one-half per cent 1930-50 stock has suffered a slight decline in quotation, but on the whole its price, having regard to the conditions referred to, has been exceptionally well maintained. The House will recall that the last issue we made, a year ago in February, was underwritten at ninety-eight. A loan such as that would net the Dominion ninety-six or a little over. A recent quotation

for our Dominion three and one-half per cent stock was ninety-four to ninety-six. I believe that during this period of exceptional money stringency the credit of the Dominion as reflected in the quotations of its securities has maintained itself among the highest in the world.

TRADE STATISTICS.

The fiscal year of 1911-12 was characterized by a very considerable trade expansion, the aggregate of imports and exports totalling \$874,637,794, or over \$105,000,000 in excess of the previous year. Large as was this trade, the statistics of the past year show, I am happy to say, a still greater increase, and a total volume amounting to over one billion dollars.

For the information of the House I present herewith a table showing the total imports and exports and aggregate of trade of Canada since 1908 and the percentage of imports thereto.

TOTAL TRADE OF CANADA WITH ALL COUNTRIES (INCLUDING COIN AND BULLION).

Fiscal year.	Total imports.	Total exports Canadian and foreign pro- duce.	Aggregate trade.	Percentage of value of im- ports with aggregate trade.
	\$	\$	\$	%
1908	370,786,525	280,006,606	650,793,131	56·97
1909	309,756,608	261,512,159	571,268,767	54·22
1910	391,852,692	301,358,529	693,211,221	56·52
1911	472,247,540	297,196,365	769,443,905	61·37
1912	559,320,544	315,317,250	874,637,794	63·94
1913 (unrevised).....	691,943,515	393,232,057	1,085,175,572	63·76

It will be observed that during the past three years the percentage of the value of imports to the aggregate trade has materially risen and in 1912-13 represented nearly sixty-four per cent of the total trade. This condition has called forth criticism on the part of some who put forward the view that if imports continue greatly to exceed exports a country may expect to be drained of its gold in order to meet its international obligations. Without attempting to deal with this balance of trade theory which has so frequently been shown to be illusory and misleading, it may be pointed out that in five years our total exports have grown from \$280,000,000 to \$390,000,000, and that while our imports have increased in greater degree, explanation is to be found in the fact that dur-

ing this period of rapid material development and national progress a vast amount of capital expenditure has been and is being made upon railway construction and equipment by our three transcontinental systems, upon great public works and undertakings, in industrial and commercial enterprise and in municipal services and improvements to meet the needs of rapidly growing communities. That is to say, we are in the era of the construction of railways and great national works. Our cities have been growing so rapidly in population and area that their needs have greatly increased, with the result that they have had to make large expenditures of a capital nature upon their various public services. The greater portion of the funds required for this capital and productive expenditure has been borrowed from the British public by the Government of Canada by the several provinces and by cities and towns, and railway, industrial and other corporations. The money so borrowed has come to Canada not in the form of cash or gold, but in importations of commodities and of materials from Great Britain or elsewhere. In addition to this we must bear in mind the important fact that the stream of immigration coming to our shores from year to year, while bringing sufficient capital for its temporary maintenance and adding to our consumption, does not immediately become a producing element in the community. In the light of these considerations it would appear that the apparent adverse balance of trade is due to causes making for the development of the Dominion, and need be the occasion of no anxiety.

The House and the country being always interested in the subject of our trade with the Mother Country, I have prepared and submit herewith a statement showing imports and exports, and establishing that the United Kingdom has shared in the marked expansion of our trade in recent years:

TRADE WITH THE UNITED KINGDOM—MERCHANDISE ONLY.

Fiscal year.	Imports for Consumption from the United Kingdom.	Exports to the United Kingdom Canadian and Foreign Produce.	Aggregate Trade.
	\$	\$	\$
1908.....	94,417,314	134,477,124	228,894,438
1909.....	70,682,101	133,745,123	204,427,224
1910.....	95,336,427	149,630,488	244,966,915
1911.....	109,934,665	136,962,971	246,897,636
1912.....	116,906,212	151,833,379	268,739,591
1913 (unrevised).....	138,652,198	177,982,002	316,634,200

It will be observed that for the past six years, with the exception of one year, 1909, when there was a temporary retrogression, there has been a steady advance in the aggregate trade between Canada and the Mother Country. It will also be observed that whereas the amounts of increase for the period covered in imports and exports are nearly the same, viz: \$40,000,000, in each case the percentage of increase in imports is greater than of exports. This is due partly to the considerations which I have previously referred to as to national expenditure upon capital account, and partly owing to the increased demands of the home market for the products of mixed farming, especially that class described as animal products such as bacon, poultry, cheese, butter and eggs. I do not know of anything more indicative of the increase in the demands of the home market than the falling off that has taken place in the exports of some of the principal items under the heading of animal products, such as butter, eggs and bacon.

TRADE WITH THE UNITED STATES.

Of greater volume than our trade with the United Kingdom, and particularly as showing marked increase in imports, the statistics of our commercial dealings with the United States, our great neighbouring republic to the south, will be no doubt of interest to the House and I shall place upon 'Hansard' a comparative statement covering the past six years:

MERCHANDISE.

Fiscal Year.	Imports for Consumption from the United States.	Exports to the United States, Canadian and Foreign Produce.	Aggregate Trade.
	\$	\$	\$
1908.	204,648,885	96,920,138	301,569,023
1909.	170,056,178	91,022,387	261,078,565
1910.	217,502,415	110,614,327	328,116,742
1911.	274,844,858	112,208,676	387,053,534
1912.	330,428,502	112,956,295	443,384,797
1913 (unrevised).	435,783,313	150,961,675	586,745,018

Thus it will be seen that our total trade with the United States has doubled in the past six years, but it will be observed that whereas the imports have more than doubled in the period mentioned until they now reach the large aggregate of over \$400,000,000 the exports to the United States show only a fifty

per cent increase and reach a total of but \$150,000,000 or a so-called balance of trade in favour of the United States of \$250,000,000 during the past fiscal year. As to this vast yearly increase in imports it must be borne in mind that it has been much more than counterbalanced, as I shall show later, by the aggregate of capital brought to Canada by the steady influx of American settlers who have taken up land in our great West and who speedily assume a commanding place among our most capable, energetic and prosperous agricultural producers. Speaking generally, the imports from the United States embrace almost all classes of commodities, the principal being manufactures of iron and steel and other metals. Anthracite coal, corn and cotton aggregating over \$40,000,000 are on the free list.

With regard to our exports to the United States it may be said that for the most part they consist of our raw material, the product of the forest and the mine. A tariff representing an average of over forty per cent upon dutiable goods has been effectual to practically close their markets to our manufacturers.

With regard to our exports generally, I think it advisable to place before the House for its information a classification of the values of Canadian exported produce since 1908. The largest increase has been in the chief item of agricultural produce (consisting principally of grains and flour), totalling \$66,000,000 in 1908 and \$150,000,000 in 1913.

VALUE OF GOODS EXPORTED (BY CLASSES) FROM THE DOMINION.

MERCHANDISE ONLY (CANADIAN PRODUCE).

Fiscal Year.	The Mine.	The Fisheries.	The Forest.	Animals and their Produce.
	\$	\$	\$	\$
1908.....	39,177,133	13,867,368	44,170,470	55,101,260
1909.....	37,257,699	13,319,604	39,667,387	51,349,646
1910.....	40,089,017	15,663,162	47,517,033	53,926,515
1911.....	42,787,561	15,675,544	45,439,057	52,244,174
1912.....	41,324,516	16,704,678	40,892,674	48,210,654
1913 (unrevised).....	57,442,546	16,336,721	43,255,060	44,784,593

Fiscal Year.	Agricultural Products.	Manufactures.	Miscellaneous.	Total.
	\$	\$	\$	\$
1908	66,069,939	28,507,124	67,674	246,960,968
1909	71,997,207	28,957,050	54,931	242,603,584
1910	90,433,747	31,494,916	125,161	379,247,551
1911	82,601,234	35,283,118	285,815	274,316,553
1912	107,143,375	35,836,284	111,676	290,223,857
1913 unprocessed	150,145,661	43,692,708	97,311	355,754,600

While dealing with the matter of our trade generally I may be permitted to refer briefly to a phase of our economic activity which in recent years has shown very marked improvement. I allude to the mineral production of Canada which has more than doubled in the last ten years. In 1912 the total output was set down as \$133,000,000 or an increase of over \$30,000,000 over the preceding year. The increase was principally under the headings of coal, copper, nickel, gold and silver.

IMMIGRATION.

I turn now to the important subject of immigration. The steady progress which has characterized our material development and advancement for years past is attributable in an important measure to the tide of immigration which has flowed into Canada from abroad, principally from Great Britain and the United States. I present herewith information respecting this immigration under three headings, Great Britain and Ireland, other countries except United States, United States, for a period of five years past:

Year.	Great Britain and Ireland.	Other Countries except United States.	United States.	Total.
1908-09	52,901	34,175	59,832	146,908
1909-10	59,790	45,206	103,793	208,794
1910-11	123,013	66,620	121,451	311,084
1911-12	138,121	82,406	133,710	354,237
1912-13	150,542	112,881	133,009	402,432

In dealing with these figures respecting this subject it must not be forgotten that while the personal element is by far of the greatest importance both from the economic, moral, sociological and national standpoint, the amount of actual wealth brought into the country by the immigrant has been very great. Poten-

tially the desirable homeseeker is a very valuable asset both as a producer of wealth and as a citizen. But when he brings with him in addition to his character and energy working capital he assures an economic productivity almost from the beginning of his citizenship which would not otherwise be possible. From compilations carefully made by the Department of the Interior it has been conservatively estimated that the class of immigration we receive from the United States, that is to say of farmers who have sold out their holdings in the States, and have taken up land in western Canada, brings with it capital (including settlers' effects) to the amount of over \$1,000 per head or say \$5,000 per family of five persons. The total number of such immigrants for the calendar year 1912 was 140,143. Applying the rate above mentioned per head the amount of capital and effects accompanying this immigration would reach a total exceeding \$140,000,000 in value. When considering the excess of imports from United States over our exports to United States this large influx of capital to be productively employed in our agriculture must, as I have pointed out previously, not be overlooked.

FISCAL YEAR 1913-1914.

Thus far I have dealt only with the financial results of the two preceding years, the position of our debt, maturities of loans, the state of our trade and other features of our national economy which it seemed important to specially note in passing. I now proceed to consider the affairs of the fiscal year upon which we have entered and which ends on March 31, 1914. In this, I shall be obliged to confine myself to statements general in character because the factors entering into the problem are subject to influences and conditions which, belonging to the future, cannot be forecasted with any reasonable degree of certainty.

The main features of our income and expenditure can be fairly well indicated because our revenues on the one hand are principally derived from Customs and Excise and as the rates are established the results depend upon the volume of business. On the other hand, a large portion of the expenditure may be termed fixed or uncontrollable and apart from this the programme for the year will be found substantially in the main and supplementary estimates, although it is always necessary to supplement these again about the close of the fiscal year to meet expenditure for which adequate provision had not been made.

EXPENDITURE.

Dealing first with expenditure, the main and supplementary estimates are now before the House. They provide for consolidated fund or ordinary running expenditure \$125,850,338 and for capital services \$53,301,845 or a total expenditure of \$179,152,183. To this must be added supplementary estimates to be brought down and such amount as may be required in the second set of supplementary estimates which as I have stated, are usually presented towards the close of the fiscal year, together with railway subsidies under legislation of this and preceding sessions. The aggregate of all these estimates will probably be close to \$200,000,000. Then we must further provide for the purchase of Grand Trunk Pacific railway bonds guaranteed by the Dominion to the amount of about \$1,000,000 per month under the authority of the legislation to which I have earlier alluded. There will be also the further amount required during the year to meet progress payments on account of construction of the three dreadnoughts which Canada proposes to place at the disposal of His Majesty in order to increase the strength of the Imperial navy, the guardian of our shores and commerce.

On the whole, Mr. Speaker, this constitutes a large and comprehensive programme but not greater than the needs and duty of Canada demand or our revenue and credit abundantly warrant. While the total appears large, having regard to the expenditures of the past and preceding years, it must not be forgotten that a considerable portion of our estimates always lapse and remain unexpended. In this regard it is usually safe to make an allowance of ten per cent or even more.

REVENUE.

Now, as to the revenue from which the whole, or, we hope, at least, the greater part of this expenditure is to be met, I have already indicated its principal sources in customs, excise, railways and post office. For the year 1912-13 there was, as I have previously shown, a total income of approximately \$168,250,000, which represented an unprecedentedly large increase over the year before. It is too much to expect that this abnormal rate of increase will be maintained during the present year, especially in view of the stringent financial conditions to which I have alluded previously and which always have a repressive influence on trade. Without attempting to forecast with any degree of accuracy, I feel confident that the

revenues of the year will not only prove adequate to meet the current expenditure but to meet possibly the whole and certainly the greater portion of capital and special expenditure for the year. It is, I think, too much to hope that we shall always be able out of revenue to meet capital expenditure upon great national undertakings of a permanent character, the advantages of which enure for the benefit of generations to come, but it would nevertheless seem a wise policy that in times of abounding prosperity we should conserve our credit and establish as close an equilibrium as may be possible between national income and outgo.

TARIFF CHANGES.

I come now to the matter of tariff changes. For reasons within the knowledge of the House and the country, and to which it is therefore unnecessary that I should specially allude, the budget is unusually late this session. As it has been generally known that no tariff revision of a comprehensive or far-reaching character has been in contemplation it is probable that no serious public inconvenience has been occasioned by the delay. The spring season being now well advanced, any changes made must be of a strictly limited and necessary character and in connection generally with tariff modifications it is, I think, the sound view that they should be made sparingly if at all until the period arrives for a general revision of the schedules, because nothing can be more disturbing to commerce and industrial enterprise than continuous tariff uncertainty or apprehension of tariff change. The commercial and manufacturing community must be in a position to make contracts in advance and to calculate with reasonable exactitude their costs before arranging their business programme for the year. But while this principle is admittedly sound, to give it rigid and inflexible application would lead to occasional public detriment and inconvenience and, therefore, while the rule has been acknowledged, exceptions have continually been made. Our tariff, like all other tariffs, presents many anomalies, but has for over thirty years been based upon the two-fold principle of providing by indirect taxation for our revenue requirements and, by affording a reasonable degree of protection to such production as is properly native to the Dominion, of developing our natural resources, promoting the establishment of diversified national industries, building up our great commercial centres, creating our home markets for our agri-

cultural producers and generally promoting the welfare of the entire community.

General revision of the tariff becomes advisable when it is found necessary to rearrange the rates out of regard to changed or changing economic conditions or to the revenue requirements of the Dominion. Having regard to the prevailing prosperity of the Dominion, as disclosed by the trade statistics which I have presented to the House, and the fact that there is always a delicate adaptation of business to the rates of the tariff, there is, I believe, a general consensus of opinion that anything in the nature of an extensive revision of the tariff is not called for by existing conditions and would be contrary to public interest.

With this general introduction I now turn to the changes which we have to propose for the consideration of the House. The major part of these are rendered necessary by the terms of the trade agreement entered into between representatives of the Dominion and certain of the West Indian colonies as the result of a convention held here a year ago and validated by Parliament during the present session. As the policy of the agreement was fully discussed during the progress of the Bill it will be unnecessary for me to deal with it now further than to say that the principle of promoting closer trade relationship and improving the steamship and cable communications between Canada and the West Indies has met with the approval of both parties in the House and has been warmly endorsed throughout the Dominion. It is also realized that apart from the material considerations of increased trade, a fresh and powerful impetus has been given to the policy of the promotion through preferential trade arrangements of the great cause of Imperial unity throughout the Empire.

In general terms the agreement provides that upon a specified list of commodities, the produce or manufacture of the West Indian colonies, the duties of customs shall not be more than four-fifths of the duties imposed upon similar goods when imported from any foreign country and that upon certain other goods there shall be no duties as against the West Indian colonies but certain minimum duties as against the same goods when imported from any foreign country. The West Indian colonies have for many years enjoyed the benefits and advantages of the British preferential tariff and therefore, in cases where the existing preference is sufficient to cover the twenty

per cent preference stipulated for in the agreement, and where, speaking generally, the articles mentioned are on our free list, no tariff adjustment is necessary. The British preference was extended to the West Indian colonies by the Government of my right hon. friend (Sir Wilfrid Laurier) in 1899 without any consideration in return. I think the view was expressed at that time that Canada felt it to be her duty to assist in restoring prosperity to the West Indian colonies and to the sugar industry especially which was then in a languishing condition. Therefore legislation was introduced in 1899 under which the benefits of the British preference were extended to the West Indian colonies. Of the scheduled list of West Indian goods entitled to the benefits of the agreement many are on the free list and in the case of many others the British preference is amply sufficient to satisfy the terms of the agreement. There are, however, a few articles—principally under the unenumerated item of our tariff—as to which we propose to increase the British preference so that it shall exceed the twenty per cent called for by the agreement. It is also necessary to provide for the imposition of duties upon the specified list of goods mentioned above upon which we are obliged to impose certain minimum rates when imported from foreign countries. These goods are raw cocoa beans, limejuice, raw and concentrated and fresh limes. These goods are to be on the free list when imported from the West Indies, but in accordance with the terms of the agreement, there is to be a minimum duty imposed when they are imported from foreign countries.

With regard to sugar, which is by far the most important commodity covered by the agreement and which constitutes nine-tenths of our imports from the West Indies, specific provision is made that the privilege which our refiners have hitherto enjoyed of importing raw foreign sugar at preferential rates to an amount equal to twenty per cent of their production shall be abrogated so that the planters of the West Indies may enjoy the stipulated minimum preference as against all foreign raw sugar entering Canada.

I explained the other day in the course of another debate that the British preference amounting to thirty-one cents per hundred pounds upon raw sugar had been practically all taken at certain seasons of the year, and substantial portions of it taken at other seasons of the year by the planters of the West Indies. I pointed out also that the duty upon refined sugar had been fixed having regard to the British preference, which

our refiners were supposed to obtain the benefit of upon raw sugar. The Hon. Mr. Fielding, my predecessor, having it brought to his attention that the planters took either a substantial portion or the whole of the British preference, was obliged to give a privilege to the sugar refiners in order to put them in the position which it was thought they would occupy when the preferential tariff upon sugar was established. The privilege he gave them was to import foreign raw sugar at preferential rates, to the amount of twenty per cent of the amount they refined in any calendar year from raw sugar. The Royal Commission upon whose report this agreement with the West Indies was founded, investigated the matter very fully and came to the conclusion that if the preference were cut down from thirty-one cents per hundred pounds on raw sugar to about fifteen cents, that it would be fair to all parties. The representatives of the West Indian colonies were very desirous, in fact, it was a condition precedent to their entering into the agreement, that this twenty per cent privilege which Mr. Fielding had given to the sugar refiners of Canada should be abrogated, so that they would have an exclusive preference as against all raw foreign sugar to the extent of at least twenty per cent, and a minimum of fifteen cents per hundred pounds, and the agreement provides accordingly.

Certain tariff changes are therefore specifically called for by reason of the agreement which has been already adopted and validated by this House, and there are some further modifications of a consequential character to which I shall briefly call attention.

Cocoa manufacturers will be obliged to pay duty upon foreign raw cocoa beans which they require for the blends necessary in their manufacture, and there will have to be an adjustment in the duty upon cocoa products.

Similarly, as the twenty per cent privilege is taken away from our sugar refiners there will have to be a readjustment of the duties upon refined sugar. In the result there will be a considerable loss of revenue upon sugar, of which, however, the public will reap the advantage in slightly reduced prices.

In connection with the sugar tariff—I shall read the resolution a little later—I desire at this stage to point out that upon raw sugar, the rate under the existing preference upon standard raw sugar is fifty-two and a half cents per hundred pounds, preferential rate, and eighty-three and a half cents per hundred pounds, general rate, or a preference of thirty-one cents.

The existing preference upon refined sugar, testing ninety-nine degrees by the polariscope as compared with ninety-six for the raw sugar by the polariscope, is eighty-three and the general rate is one hundred and twenty-four and a half cents, being a difference of forty-one and a half cents.

There will therefore have to be an adjustment of tariff duties upon raw sugar and upon refined sugar, upon the special articles which the agreement itself required us to deal with, and certain consequential changes by reason of the imposition of duties against foreign goods, upon these articles.

Apart from the West Indian trade agreement, I have comparatively few changes to propose.

Mr. MACLEAN (Halifax): Would the minister give us the proposed changes in the sugar tariff now?

Mr. WHITE: On sugar above No. 16 Dutch standard, in colour, and all refined sugar of whatever kind, grade, or standard, testing not more than eighty-eight degrees by the polariscope, for one hundred pounds preferential tariff seventy-two cents, intermediate tariff ninety-three cents, general tariff ninety-three cents; and for each additional degree over eighty-eight degrees per hundred pounds, preferential tariff one cent, intermediate tariff one and one-third cents, and general tariff one and one-third cents. If my hon. friend from Halifax (Mr. Maclean) will add eleven to the seventy-two, it will give eighty-three; if he will add to the ninety-three, one and one-third upon eleven, he will get \$1.07 2-3, so that what I am proposing as the new rate, is eighty-three cents per hundred pounds preference, and a general tariff rate of \$1.07 2-3 on refined sugar.

I suppose my hon. friend would now like me to deal with raw sugar. On raw sugar the former preferential rate was fifty-two and a half cents and the general rate eighty-three and one-half cents for ninety-six degrees, which made a preference of thirty-one cents. Under the new rates proposed, the preferential will be forty and three-quarters cents for the ninety-six degrees, and the general fifty-seven and a half cents making sixteen and three-quarters of a preference. Let me say in connection with this that it will be observed that the preference is diminished, but as I have stated that was suggested by the report of the Imperial Commission, and it was further rendered necessary by the fact that we are abrogating the privilege given by my predecessor the Hon. Mr. Fielding to the Canadian sugar refiners to import foreign grown raw sugar at preferential rates to an amount equal to twenty per cent of their product for the year.

In connection with that, for the information of my hon. friend from Halifax (Mr. Maclean) I may say that the difference on the preferential tariff between raw and refined sugar under our proposals is $42\frac{1}{2}$ cents, and on the general tariff between raw and refined is $50\frac{1}{2}$ cents. In connection with that, I propose to read for the information of my hon. friend an extract from the budget speech of my predecessor, the Hon. Mr. Fielding, in the year 1906. He had gone very carefully into this question of the tariff on sugar, and this is what he said:

We think that the schedule of sugar duties we adopted a few years ago was eminently fair. In 1896, the duty on refined sugar was \$1.14, and on the raw, 50 cents per 100 pounds, a difference of 64 cents per hundred in favour of the refiners. We reduced the duty on refined to \$1, and left the duty on the raw 50 cents, so that the difference in favour of the refiner became 50 cents. It has been our idea, all through, to give the refiner about that much advantage. Of course, he has to take into account the loss in manufacture and the cost of manufacture.

Passing from the West Indian trade agreement, I come to a few other changes which we propose.

Sir WILFRID LAURIER: Do I understand that under the new tariff the privilege of importing raw sugar at preferential rates is abolished?

Mr. WHITE: It is abolished. We shall have to repeal that item in the tariff. My right hon. friend will recall that that is required by the express terms of the West Indian trade agreement which was recently validated by Parliament. In other words, the West Indian representatives were very desirous of getting an exclusive preferential market in Canada, and consequently that had to be abolished.

The House will recall that during the summer, on account of the shortage of cement, particularly in western Canada, a temporary reduction of fifty per cent of the duty on cement was made, in order to meet a situation which I believe will not frequently arise. It was due in some measure to lack of transportation facilities. So far as this year is concerned, I believe the transportation facilities available to the cement companies have been so increased that there is not likely to be a recurrence of the shortage. In fact I have rather definite assurances upon that point. We came to the conclusion that it would be possible to make a reduction in the duties upon cement without injuring existing industries. Speaking for myself, I would like to see the cement plants of Canada in a position to supply the needs of the Canadian people. I think it goes without saying that, if an industry is native to this country, we would rather see manufactories established through the country able to supply the

requirements of the people, thus giving employment to industrial citizens and building up our Dominion, than see that product imported from abroad. If the tariff however, is too high, there is always a danger that prices may be fixed to the detriment of the public. I do not suggest that that is so in the case of cement.

The duty on cement is specific, twelve and one-half cents per hundred pounds. A barrel of cement contains 350 pounds. Therefore the duty on a barrel of cement would be forty-three and three-fourths cents. The cost of production of cement, by reason of improved methods, has been somewhat lessened during the past few years. In view of that fact and in view of the fact that the rate is specific, we think that, without injuring a Canadian industry or preventing Canadian enterprise from establishing cement plants throughout Canada, we can make a slight reduction in the duty. It is an article in almost universal use. It is used by the farmer; it is used in the construction of buildings, in connection with the paving of our streets and for many other purposes. The production in 1909 was about 4,000,000 barrels, and in 1912 the production had increased to 7,000,000 barrels. The British preferential tariff is eight cents, intermediate, eleven cents, and general, twelve and one-half cents. We came to the conclusion that we would be justified in reducing the tariff to British preferential, seven cents, intermediate, ten cents, and general, ten cents, that is to say in reducing the duty on cement from twelve and one-half cents per hundred pounds to ten cents, or from forty-three and three-fourths cents a barrel to thirty-five cents. The average selling price of cement in the United States is, say, \$1.10 or \$1.15 per barrel. In some seasons, especially when there is over-production, the price of cement in the United States has gone as low as seventy cents per barrel. I have been informed that a large cement plant is to be established in the West during the coming year. I hope that it will be one of many, because Canada has abundant raw materials for the production of cement. There is no reason why we should not produce practically the whole of the cement required in Canada.

Another item I have is typesetting and typesetting machines, which are in use in the printing offices throughout Canada. They are made use of by all our newspapers, large and small. For some considerable time past, it has been drawn to the attention of the department that these machines were not manufactured nor likely to be manufactured in Canada. They are manufactured by a large concern in the United States which,

I believe, has an agency in Toronto. I therefore propose that typecasting and typesetting machines shall be placed upon the free list. I think we will admit that the newspaper proprietors of Canada as a whole do not make undue profits either upon their capital or upon the intelligence with which they conduct their enterprises. I think we shall also admit that it is in the interest of the public of Canada that the newspapers of the day should find their way into the homes of the people at as little cost as possible. This concession, therefore, while not very far-reaching in effect, will, I think, conduce to reducing the cost of the production of newspapers, or at all events will go to increase the profits, which as I have stated are very moderate indeed, made by our newspaper proprietors throughout the Dominion, and especially those who are conducting small weekly journals.

Mr. MACLEAN (Halifax): What is the present tariff?

Mr. WHITE: It is, preferential, twelve and a half per cent; intermediate, seventeen per cent; general, twenty per cent.

Mr. KNOWLES: What is the average cost of typesetting machine?

Mr. WHITE: Prices vary, and I am unable at the present moment to answer my hon. friend.

Mr. MACLEAN (South York): About \$3,000 to \$5,000.

Mr. WHITE: There is another article drawn to my attention for some time by hon. members representing rural constituencies on both sides. I suppose there is hardly a representative of a rural constituency in the House who has not either directly or indirectly brought this matter to the attention of myself or the department. I refer to traction ditching machines. They are expensive machines, not manufactured in Canada, and hardly likely to be manufactured in Canada in the near future. Ditching machines are of immense value in draining agricultural land. Some of the results achieved by proper underdraining of low-lying agricultural lands are almost unbelievable. It is not too much to say that these traction ditching machines are a boon indeed to the farming community. The Minister of Agriculture of the province of Ontario made a special plea in favour of tariff abolition on these machines, and in addition to that I had heard from the heads of agricultural colleges of Canada strongly recommending that the duty be taken off.

In accordance with all these representations, and for the benefit of the farming community, we propose, as I have stated, that traction ditching machines up to the value of \$3,000—I am informed that the highest listed price for machines used by the farmers is \$2,600 or \$2,700—be admitted free. The present general tariff is twenty-seven and a half per cent.

Then, apart from items of a minor character to which I need not draw special attention just now—though I will read the whole list—we propose to place upon the free list glassware and other scientific apparatus for laboratory work in hospitals, also apparatus for sterilizing purposes not including washing or laundry machines—all articles in this item when imported bona fide for the use and by order of any public hospital. It has been brought to our attention by hospital boards that it would be a great boon and would injure no industry in Canada if requirements of this kind in connection with their philanthropic work could be admitted free of duty, and we have met the request by the proposal I have now made. Then, in addition we have another rather important item added to the free list, viz: miners' rescue appliances, designed for emergency in mines where artificial breathing is necessary in the presence of the poisonous atmosphere and automatic resuscitation apparatus for artificial breathing to aid in the saving of human life.

Mr. KYTE: Are these manufactured in Canada?

Mr. WHITE: I am informed that they are not, of the class referred to in this item.

TARIFF RESOLUTION.

I have touched upon the leading items; there are others of a minor character with which I do not propose to weary the House in detail. But I give notice that when the House goes into Committee of Ways and Means I shall move the following resolution:

1. Resolved that it is expedient to amend schedule A to the Customs Tariff, 1907, as amended by chapter 10 of the Acts of 1909, by chapter 16 of the Acts of 1910, and by Orders in Council, and to strike thereout tariff items:—20, 21, 22, 23, 39a, 77, 101, 109, 110, 111, 112, 113, 134, 135, 135a, 135b, 135c, 137a, 141, 152, 153, 263, 264, 290, 441, 535;

The several enumerations of goods respectively, and the several rates of duties of Customs, if any set opposite each of

the said items, and to provide that the following items, enumerations and rates of duties be inserted in said schedule A:

Tariff Items.		British Preferential Tariff.	Intermediate Tariff.	General Tariff.
20	Cocoa paste or "liquor" and chocolate paste or "liquor," not sweetened, in blocks or cakes. per pound.	3½ cents.	4 cents.	4 cents.
20a	Butter produced from the cocoa bean. per pound.	1½ cents.	2 cents.	2 cents.
21	Cocoa paste or "liquor" and chocolate paste or "liquor," sweetened, in blocks or cakes not less than two pounds in weight. per pound.	3½ cents.	4 cents.	4 cents.
22	Preparations of cocoa or chocolate, in powder form.	20 p.c.	25 p.c.	25 p.c.
23	Preparations of cocoa or chocolate, n.o.p., and confectionery coated with or containing chocolate, the weight of the wrappings and cartons to be included in the weight for duty. per pound.	½ cent. and 22½ p.c.	½ cent.	½ cent.
39a	Rice flour, sage flour, cassava flour, tapioca flour, and rice meal. per pound.	¾ cent.	1 cent.	1 cent.
39b	Arrowroot. per pound.	¾ cent.	1 cent.	1 cent.
63a	Rice bran.	12½ p.c.	17½ p.c.	17½ p.c.
69a	Cattle food containing molasses.	15 p.c.	20 p.c.	20 p.c.
77	Beans, viz :—tonquin and vanilla, crude only; locust beans; locust bean meal.	Free.	Free.	Free.
77a	Cocoa beans, not roasted, crushed or ground. per one hundred pounds.	Free.	75 cents.	75 cents.
101	Oranges, shaddock or grape fruit and lemons.	Free.	Free.	Free.
101a	Limes.	Free.	10 p.c.	10 p.c.
109	Nuts of all kinds, n.o.p., including shelled peanuts. per pound.	1 cent.	2 cents.	2 cents.
110	Cocoanuts, n.o.p. per one hundred	25 cents.	75 cents.	75 cents.
111	Cocoanuts, when imported from the place of growth, by ship, direct to a Canadian port. per one hundred.	Free.	50 cents.	50 cents.
113	Cocoanut, desiccated, sweetened or not. per pound.	2 cents.	4 cents.	4 cents.
113a	Copra or broken cocoanut meat, not shredded, desiccated or prepared in any manner. per pound.	Free.	¾ cent.	¾ cent.
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, testing not more than eighty-eight degrees by the polariscope. per one hundred pounds.	72 cents.	93 cents.	93 cents.
	And for each additional degree over 88 degrees. per hundred pounds.	1 cent.	1½ cents.	1½ cents.
	Provided that fractions of five-tenths of a degree or less shall not be subject to duty, and that fractions of more than five-tenths shall be dutiable as a degree.			
	Provided that refined sugar shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister of Customs that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise.			

Tariff Items.		British Preferential Tariff.	Inter-mediate Tariff.	General Tariff.
135	<p>Sugar, n. o. p. not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not more than seventy-five degrees by the polariscope.....per one hundred pounds.</p> <p>And for each additional degree over seventy-five degrees</p> <p>..... per one hundred pounds</p> <p>Provided that fractions of five-tenths of a degree or less shall not be subject to duty, and that fractions of more than five-tenths shall be dutiable as a degree.</p> <p>Provided that all raw sugar, including sugar specified in this item, the produce of any British colony or possession, shall be entitled to entry under the British Preferential Tariff, when imported direct into Canada from any British country.</p> <p>Provided that sugar imported under this item shall not be subject to special duty.</p>	<p>25 cents.</p> <p>$\frac{3}{4}$ cent.</p>	<p>31$\frac{1}{4}$ cents.</p> <p>1$\frac{1}{4}$ cents.</p>	<p>31$\frac{1}{4}$ cents.</p> <p>1$\frac{1}{4}$ cents.</p>
135a	<p>Raw sugar as described in Tariff item 135, when imported to be refined in Canada by Canadian sugar refiners, to the extent of the quantity of sugar refined during the calendar years 1912 and 1913 by such refiners from sugar produced in Canada from Canadian beet-root under regulations by the Minister of Customs, per one hundred pounds, testing not more than seventy-five degrees by the polariscope</p> <p>And per one hundred pounds for each additional degree over seventy-five degrees</p> <p>Provided that sugar imported under this item shall not be subject to special duty. This item to expire December 31st, 1914.</p>	<p>25 cents.</p> <p>$\frac{3}{4}$ cent.</p>	<p>25 cents.</p> <p>$\frac{3}{4}$ cent.</p>	<p>25 cents.</p> <p>$\frac{3}{4}$ cent.</p>
136a	Molasses of cane, testing by polariscope under thirty-five degrees but not less than twenty degrees.....per gallon.	Free.	1 $\frac{1}{2}$ cents.	1 $\frac{1}{2}$ cents.
140a	Shredded sugar cane.....	12 $\frac{1}{2}$ p.c.	17 $\frac{1}{2}$ p.c.	17 $\frac{1}{2}$ p.c.
141	Sugar candy and confectionery, n.o.p., including sweetened gums, candied peel, candied pop-corn, candied fruits, candied nuts, flavouring powders, custard powders, jelly powders, sweetmeats, sweetened breads, cakes, pies, puddings and all other confections containing sugar.	22 $\frac{1}{2}$ p.c.	35 p.c.	35 p.c.
152	Lime juice, fruit syrups, and fruit juices, n.o.p.	15 p.c.	20 p.c.	20 p.c.
152a	Papaine.....	12 $\frac{1}{2}$ p.c.	17 $\frac{1}{2}$ p.c.	17 $\frac{1}{2}$ p.c.
153	Lime juice, raw and concentrated, not refined.....per gallon.	Free.	5 cents.	5 cents.
180a.	Photographs sent to the press, for use only as news pictures, under regulations by the Minister of Customs.....	Free.	Free.	Free.

Tariff Items.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
205a	Cassava root, unground	Free.	Free.	Free.
264	Essential oils, n.o.p. including bay oil, otto of limes, and peppermint oil.....	5 p.c.	7½ p.c.	7½ p.c.
276a	Cotton seed oil, n.o.p.....	12½ p.c.	17½ p.c.	17½ p.c.
277a	Cocconut oil, n.o.p.	12½ p.c.	17½ p.c.	17½ p.c.
290	Cement, Portland, and hydraulic or water lime, in barrels, bags, or casks, the weight of the package to be in- cluded in the weight for duty.....	7 cents.	10 cents.	10 cents.
441	Typesetting and typesetting machines and parts thereof, adapted for use in printing offices	Free.	Free.	Free.
447a	Traction ditching machines (not being ploughs) adapted for tile drainage on farms, valued by retail at not more than three thousand dollars each.....	Free.	Free.	Free.
466a	Glassware and other scientific apparatus for laboratory work in public hospitals, also apparatus for sterilizing purposes, not including washing or laundry ma- chines, all articles in this item when imported in good faith for the use and by order of any public hospital.	Free.	Free.	Free.
535	Cotton sewing thread in hanks.....	7½ p.c.	10 p.c.	10 p.c.
584a	Asphalt, not solid.....	12 p.c.	17½ p.c.	17½ p.c.
616a	Balata, crude, unmanufactured	Free.	Free.	Free.
664a	Nitrate compounds adapted for use in the manufacture of explosives.....	Free.	Free.	Free.
680a	Sponges of marine production	12½ p.c.	17½ p.c.	17½ p.c.
689a	Miners' rescue appliances, designed for emergency use in mines, where artifi- cial breathing is necessary in the pre- sence of poisonous gases, and automatic resuscitation apparatus for artificial breathing, to aid in the saving of human life	Free.	Free.	Free.

2. Resolved,—That it is expedient to provide that the provisions of the foregoing resolutions shall be deemed to have come into operation on the 13th day of May, one thousand nine hundred and thirteen, and to apply and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to such goods previously imported for which no entry for consumption was made before that day.

Mr. WHITE: Item 135a is the one which relates to the manufacture of sugar from beet-root, under which Canadian refiners of sugar from beet-root have the privilege, up to December 31, 1914, to import raw sugar to an amount equal to their production. The agreement specifies that when that item expires on December 31, 1914, it is not to be renewed.

Mr. MACLEAN (South York): I believe the hon. minister said that there would be a very slight reduction in the cost of sugar to the consumer. Could he indicate what fraction of a cent that reduction will be?

Mr. WHITE: The revenue on sugar will be decreased, by the West Indian trade agreement, to the extent of about \$600,000.

Mr. MACLEAN: Will that accrue to the consumer?

Mr. WHITE: I think there will be a slight reduction in the price of sugar. As I pointed out in the early part of my remarks, this will be a year of fairly large expenditure, and therefore we are not in a position to reduce the revenue substantially. If the West Indian trade agreement had not been entered into, there would have been no changes. But in the working out of that agreement it is expected that there will be a loss in the revenue, and the benefit of that loss will, I believe, go to the Canadian consumer.

Mr. MACLEAN (Halifax): How much raw sugar was imported into Canada last year under item 137b?

Mr. WHITE: I am afraid I have not the figures as to that.

Mr. OLIVER: Do I understand that the preference existing in favour of West Indian raw sugar, and of which the refiners of Canada got the benefit, is being abolished?

Mr. WHITE: We are cutting down the preference on raw sugar from 31 cents to $16\frac{3}{4}$ cents.

Mr. OLIVER: That is, raw sugar from the West Indies?

Mr. WHITE: Yes.

Mr. OLIVER: The importation of raw sugar which has been permitted to be imported, under the preference, from foreign countries by Canadian sugar refiners, is not to be further permitted?

Mr. WHITE: We have taken away the privilege formerly extended to the sugar refiners importing foreign raw sugar at British preferential rates to the extent of 20 per cent of their production.

Mr. OLIVER: What is to be the difference in the duty on refined sugar?

Mr. WHITE: Under the present tariff, which we propose to modify, $41\frac{1}{2}$ cents.

Mr. OLIVER: I want to know the difference between the duty on refined sugar as it is now and the duty on refined sugar as it will be under the changes that are proposed?

Mr. WHITE: The duty on standard refined sugar, 99 degrees by the polariscope, is 83 cents under the preferential tariff and the general rate is $\$1.24\frac{1}{2}$ per hundred pounds. Under the new rate, the preferential tariff remains the same and the general, $\$1.07\frac{2}{3}$. It was understood at the time of the convention last year that this British preference of 31 cents would be cut down, as suggested by the Royal Commission, and that there would have to be an adjustment to meet the abolition of the 20 per cent privilege formerly extended to our refiners. Therefore the abolition of the 20 per cent privilege given by my predecessors to the sugar refiners of Canada is the key to the tariff changes which we now propose to make.

Mr. NESBITT: Your reduction is proportionately greater than 20 per cent, is it not?

Mr. WHITE: You cannot judge it from that standpoint; you have to consider the value of the 20 per cent privilege which has been extended to the sugar refiners of Canada. Having that in view, we have fixed the tariff rates upon raw sugar and refined sugar as I have indicated, as being the best method of being fair to all parties concerned.

Mr. MACLEAN (South York): It is, perhaps, not desirable to argue from the standpoint of probabilities, but there is a probability that a disturbance of the sugar industry in the United States will take place before the 1st of September of this year. Would that in any way involve a change in the policy in regard to sugar that you now propose to adopt?

Mr. WHITE: I prefer to wait until the changes take place, and would rather not discuss the matter except to say that our agreement with the British West Indies gives them a preference as against foreign sugar. In other words, we can adjust our tariffs as we wish, so far as foreign countries are concerned, as long as we observe the terms of this agreement and the preference which we have granted to the West Indian colonies. I do not know whether that fully answers the ques-

tion of my hon. friend, but I believe it is the only answer I can give at the present time, as I would not like to express an opinion not knowing precisely what he has in view or the situation of which he speaks.

Mr. NESBITT: Why does the minister set the value of ditching machines at \$3,000?

Mr. WHITE: There are other ditching machines used for dredging and other like purposes, apart from farming altogether. On inquiry we find that \$2,600 or \$2,700 is the maximum paid for ditching machines by farmers and we desire to cover the case of the farmer.

Mr. NESBITT: You know it is the custom in Ontario for threshers, for instance, to go around and thresh for various people at so much a bushel or a day. These ditching outfits are worked in the same way.

Mr. MACLEAN (South York): But it is a different ditcher.

Mr. WHITE: I know that \$2,500 or \$2,600 is the value of the machines used in that way.

Mr. NESBITT: A little higher than that.

Mr. WILCOX: No, Sir, \$2,200.

Mr. WHITE: Very careful inquiries were made as to this by my department and the Customs Department and I was advised that this would cover the cost of the machines required.

I wish to refer to one item which requires some explanation, item 535 in the present tariff reads:

Cotton sewing thread in hanks.

The present duty on that is ten per cent, twelve and one-half per cent and fifteen per cent. Item 532 provides that yarns number forty and finer, are on the free list. There had grown up a practice in the Customs Department at some of the ports of levying this duty upon twisted yarn of forty and finer. At other ports that has been classified as thread and ten per cent, twelve and one-half per cent and fifteen per cent has been imposed. In other words, there were different practices really on account of the difficulty of classification. There are

manufacturers in the city of Montreal engaged in the manufacture of thread and in Toronto, Hamilton and elsewhere, there are small manufacturers who import this twisted yarn, forty and finer, which, when it is twisted, is undoubtedly thread and would come under item 535. These manufacturers import it free, size it, spool it and sell it. The question was brought to the attention of the Customs Department last year and there is no doubt whatever, and the Customs Department so decided, that yarn of the kind I mentioned, forty and finer and twisted is undoubtedly thread. The result is that since last February the Customs Department has been making uniform the practice of levying the duty of ten per cent, twelve and one-half per cent and fifteen per cent upon cotton sewing thread in hanks under tariff item 535. All the manufacturers who get that in as raw material and wind it as I have stated, size it and spool it and sell it, complain of the change of practice and, after going into the matter very carefully, we have decided, having regard to the whole situation, that it would be better that we should reduce the tariff on item 535.

Mr. MACLEAN (South York): Does that interfere with the big thread monopoly that controls the thread trade of the world now? The local manufacturers have been complaining of the arbitrary conduct of the monopoly.

Mr. WHITE: I think the company to which my hon. friend refers will complain of this reduction in the tariff item. We have reduced this. At present the position is that the Customs Department are levying ten per cent, twelve and one-half per cent and fifteen per cent upon yarn of forty and finer twisted, under a ruling that that is thread. It is undoubtedly thread. The effect of making uniform the practice of the department was, as I have stated, to impose this duty upon this twisted yarn which is the raw material of certain manufacturers in Toronto, Hamilton and other places who import it and spool it. We reduced that to seven and one-half per cent, ten per cent and ten per cent as the best mode of dealing with the whole situation.

Mr. SINCLAIR: In a discussion last year it was brought to the attention of the minister that cotton twine and unbarked marlin used for making lobster traps was taxed, and it was pointed out that it was not the intention to tax twine for fishing purposes. The minister said he would look into the matter during the recess. Has that matter been considered by the minister in his reductions?

Mr. WHITE: I think my department has considered it but I am unable at the moment to recall the circumstances connected with it. My hon. friend might take that up with the Department of Customs.

BOUNTY ON LEAD.

There is just one other matter with which I desire to deal. Under existing legislation there has been paid by the Dominion a bounty of seventy-five cents per hundred pounds on lead contained in lead-bearing ores mined in Canada and I shall recall very briefly the legislation bearing upon this matter. It is not a very important matter as to the amount but it is of extreme importance to the lead industry of British Columbia. It was provided by a statute passed in the session of 1903 that there should be paid 75 cents per 100 pounds on lead contained in lead-bearing ores mined in Canada, provided (a) that not more than \$500,000 be paid in one fiscal year and, (b) that when the London price of pig lead exceeded £12 10s. per ton of 2,240 pounds the bounty should be reduced by the excess. The bounties were to cease on June 30, 1908. There were thus five years in which bounties could be paid, and the maximum payable was \$2,500,000. By an Act passed in 1908, chapter 43, it was recited that there was unexpended of this \$2,500,000 up to June 30, 1908, about \$1,788,078. My predecessor in office, the Hon. Mr. Fielding, introduced a Bill extending the bounties for a further period of five years, or up to June 30, 1913. It was provided, however, that the London price controlling the payment of the bounties should be raised to £14 10s. per ton, and it provided further that only what remained of the appropriation of \$2,500,000 should be available, so that he was not increasing the amount appropriated for bounties, or the aid given to this particular industry by way of bounty. He was simply extending the time during which this bounty could be availed of. Having gone into the matter very fully, we were of the opinion that it was in the interest of Canada, and especially of British Columbia, that this period should be further enlarged for another term of five years, so as not to exceed the amount appropriated, namely, \$2,500,000, and to preserve practically the same terms and conditions as now exist until the last year of the term to which I have referred. There was expended under the Act of 1903 and the Act of 1908 to 31st March, 1913, \$1,817,708.06 and an estimated sum payable before June 30, 1913, of \$32,291.94. This will leave \$600,000 unexpended of the \$2,450,-

000 on July 1, 1913. I say \$2,450,000 because, out of the original \$2,500,000, under chapter 37 of the statutes of 1910, \$50,000 was made available for an investigation into processes connected with zinc production in Canada.

During the year ending 31st March, 1913, the amount of bounties paid on lead-bearing ores was as follows:

In British Columbia	\$66,551 77
In Kingston, Ontario	1,513 16
Total	\$68,064 93

The North American smelter at Kingston, Ontario, has smelted a small quantity of ore which was mined in British Columbia. This company has a mine about eighteen miles from Kingston, Ontario, but no ore has been smelted from this mine, as the branch railroad running between the mine and works is not yet completed.

The price of pig lead on the 31st March last was £16 7s. 6d. per ton, which would provide for a bounty of 23·4 cents per one hundred pounds on the lead-bearing ore mined in Canada.

The London Economist of April 26, 1913, quotes the price in London at £18 0s. 0d. When the price exceeds £17 18s. 9d. per ton (2,240 pounds) no bounty will be paid.

REFINED LEAD PRODUCED IN CANADA.

The refined lead produced in Canada from 1904 to 1912 was as follows:

1904	7,519,440
1905	15,804,509
1906	20,471,314
1907	26,607,461
1908	36,549,274
1909	41,883,614
1910	32,987,508
1911	23,784,969
1912	35,769,476

The House will see that the payment of bounties on lead produced has had a beneficent and wholesome influence upon the production of lead in Canada. I desire that it should be noted that this is not a new bounty, but an extension of time during which the appropriation already made may be availed of by the lead producers of Canada.

CONCLUSION.

Now, I have come to the conclusion of what I fear has been a rather long drawn out and tedious budget. I have to repeat

my thanks for the courtesy extended to me by my right hon. friend the leader of the Opposition and my hon. friend from Halifax in acquiescing so willingly and generously in my proceeding with the budget without having given notice of the day upon which it was to be brought down. I have already explained to the House the reason why I found it necessary to depart from the usual rule, which is a very commendable one. I understand that my hon. friend from Halifax may not desire to continue the debate at once, because he has had no notice, such as is usually given, as to the figures which I have laid before the House. We are entirely agreeable to that course, or such other course with respect to proceeding with the budget debate as may commend itself to hon. gentlemen opposite. I have to thank the House for the patience, courtesy and attention with which it has listened to me.

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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

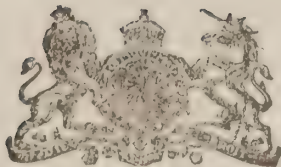
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

MONDAY, APRIL 6

1914



OTTAWA

PRINTED BY J. DE L. TACHÉ, PRINTER TO THE KING'S MOST EXCELLENT MAJESTY.

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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS AT OTTAWA, MONDAY,

APRIL 6, 1914.

WAYS AND MEANS—THE BUDGET.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said: Mr. Speaker, the Budget Speech of last year was delivered on May 12. Upon that occasion I indicated my views as to the outcome of the fiscal year ended on March 31 previously. The books when finally closed showed the actual results as somewhat better than the estimate which I had made. The main features were, however, substantially as predicted.

FISCAL YEAR 1912-13.

The fiscal year 1912-13 was characterized throughout by the greatest expansion the Dominion has yet known. The extraordinary activity in every department of effort, agricultural, industrial, commercial and financial, combined to produce a result strikingly in excess of anything of the kind in our previous fiscal experience. The revenue of the year exceeded that of the preceding year by no less a sum than \$32,581,686.09.

The various sources from which this revenue was derived with comparative figures of the two years may be found in the table which I shall now read and place upon 'Hansard' for the information of members of the House, who may be interested in the statistical details:

CONSOLIDATED REVENUE FUND.

	1911-2.	1912-13.	Increase.
Customs	\$ 85,051,872.18	\$111,764,698.73	\$26,712,826.55
Excise	19,261,661.97	21,447,444.94	2,185,782.97
Post Office	10,492,394.18	12,051,728.86	1,559,334.68
Railways	11,034,165.83	12,442,203.46	1,408,037.63
Miscellaneous	10,268,123.20	10,983,827.46	715,704.26
	\$136,108,217.36	\$168,689,903.45	\$32,581,686.09

It will be observed that the principal increase arose, as was to be expected, from customs, although the revenues from other sources showed also a marked expansion. The remarkable and, so to speak, abnormal activity which characterized the year is reflected in the general increase of the revenue under every heading.

CONSOLIDATED FUND EXPENDITURE, 1912-13.

The consolidated fund expenditure for the year 1912-13 amounted to \$112,059,537.41, a sum considerably less than my estimate. The increase in expenditure upon current or ordinary account over that of the previous year amounted to \$13,898,096.64. This increase was due to larger appropriations made for the public service generally, to the readjustment of certain provincial subsidies and to enlarged expenditure in the Post Office and Railway Departments, the increase being partially offset by increases in earnings upon the other side of the accounts.

The consolidated fund revenue, amounting, as I have stated, to \$168,689,903.45, and the expenditure to \$112,059,537.41, the surplus on consolidated fund account for the fiscal year 1912-13 was \$56,630,366.04 available for meeting capital and special expenditures, which, in the absence of any surplus, would have to be wholly met by borrowing.

CAPITAL AND SPECIAL OUTLAYS, 1912-13.

These capital and special outlays were as follows:

National Transcontinental railway	\$13,767,011 44
Quebec bridge	1,512,825 96
Hudson Bay railway	1,099,063 15
Other railways	2,509,988 56
Canals	2,259,257 45
Public works	6,057,514 57

Railway subsidies	\$4,935,507 35
Other special charges	255,647 89
	<hr/>
On the one hand, then, we had a surplus of.	\$32,396,816 37
On the other, a capital and special outlay of.	56,630,366 04
	<hr/>
Or a difference of	\$24,233,549 67
If to this we add.....	1,384,285 36
	<hr/>
Representing Consolidated Fund expenditure for investment in Sinking Funds, it will be found that the net debt of the country at the close of the year 1912-13 was reduced by the sum of.....	\$25,617,835 03

This is a reduction without parallel in the fiscal history of the Dominion.

The reduction in net debt does not mean that we paid off to that extent the funded debt of Canada by the purchase or redemption of our sterling or currency securities. Out of the surplus which we had over and above all expenditure we invested under legislative authority over \$11,000,000 in Grand Trunk Pacific bonds guaranteed by the Dominion, and \$2,200,000 in Montreal harbour debentures.

I think I should say here, in connection with this statement, that we have taken into our account, at par, the Grand Trunk Pacific bonds guaranteed by the Government, which we have purchased to the amount I have mentioned for the fiscal year 1912-13. The value of these bonds is about 75, and, if the statute had permitted, I should have been disposed to write them down to their true value and enter them at that figure upon the books of the Dominion. But there is no statutory authority for so writing them down. The reason I mention the matter here is because the \$11,000,000, which we have on our books as the investment for the year 1912-13 in Grand Trunk Pacific bonds, guaranteed as to principal and interest by the Dominion, would be reduced by about twenty-five per cent of that amount, and to that extent the reduction in net debt I have mentioned would be diminished. I think it only fair that I should make that statement. Notwithstanding that, the reduction in the net debt, even if so diminished, would still be without parallel in the previous history of the Dominion.

FISCAL YEAR 1913-14.

Turning to the fiscal year 1913-14, which ended on March 31, we find an important factor which has exercised a marked influence upon our finances. I refer to the severe, prolonged and world-wide financial stringency, which, becoming marked in the autumn of 1912 when the Bank of England rate was

raised to five per cent, has continued uninterruptedly almost to the present time. This stringency was accompanied, as was to be expected, by a restriction of commercial credits and by a serious limitation of the supply of capital hitherto available in the international money markets for the enterprise of borrowing nations such as Canada. The result has been a sharp check upon expansion and a trade slackening, which appears to be not confined to any particular country, but to be general throughout the world. Later in my speech I shall deal with this condition at greater length. I refer to it now because of its bearing upon the financial result of the year.

The fiscal year 1913-14 ended on March 31, but, under the provisions of the law which authorizes an extension of time for the closing of the accounts of the year, it will be some weeks later before the books are closed and all the items brought to account. It is possible, however, to make a fairly close estimate of what the ultimate result will be shown to be.

It is estimated that the revenue for the year 1913-14 will reach \$163,000,000. This estimated revenue will fall short of the revenue for the previous fiscal year 1912-13 by nearly six million dollars. In connection with this falling-off in revenue caused by the financial stringency and consequent trade slackening to which I have alluded, it is instructive to recall the years 1907 and 1908, when somewhat similar conditions were attended by similar results. The money stringency of 1907, while more acute while it lasted, was neither so prolonged nor widespread as the stringency of the past two years. It was followed, as was to be expected, by a trade depression of many months' duration, which exercised a similar influence upon the revenues of the Dominion. To particularize: the revenues of the Dominion, which for the fiscal year 1907 had reached a total of \$96,000,000, showed in the following year a diminution of about eleven million dollars, a reduction of over eleven per cent.

The expansion which characterized the revenues of 1912-13 continued, although in diminishing degree of increase, until the end of September last. At the expiration of that period the revenue for the six months from April 1 to September 30 exceeded that for the corresponding six months of the previous fiscal year by \$5,499,065.40. From October to the end of March this increase had been turned into a decrease of \$5,039,598.54. In other words, during the six months' period from October 1 to March 31 the decrease in the revenue amounted to \$10,538,663.94. I place upon 'Hansard' a tabular statement showing the gross revenues for the corresponding months of the two fiscal years:

	1912-13.	1913-14.
April..	\$11,019,445 77	\$12,145,445 78
May..	13,636,718 10	14,818,918 33
June..	13,181,946 75	14,304,316 25
July..	14,619,207 22	15,811,914 26
August	14,445,849 42	14,547,853 20
September..	14,475,483 52	15,249,258 36
October..	14,758,946 72	14,225,598 16
November	14,297,778 28	13,536,981 32
December..	14,142,180 59	12,931,466 77
January..	13,442,378 80	11,529,753 30
February..	13,135,870 58	9,698,120 91
March..	14,372,331 40	11,688,901 97

The decline has been experienced chiefly in the customs revenue. The receipts from other sources of revenue have held fairly well, and the set-back in customs, while substantial, cannot be regarded as serious when the volume of the revenue is taken into consideration. The causes of the shrinkage are undoubtedly those which I have indicated, viz: the financial stringency and its concomitants, restriction of credit and contraction of business enterprise.

The revenue for the present year will, then, approximate \$163,000,000.

Let us now consider the expenditure. First of all, the ordinary Consolidated Fund expenditure will probably reach \$126,500,000, or about \$14,500,000 in excess of last year. At the last session of Parliament fairly generous appropriations were made for all divisions of the ordinary services of the country. The main increases will be found in Public Works (expenditure chargeable to income) and in the expenditure on account of post office, railways, agriculture, and militia. With the growth of the country the other services have required additional outlays, with the result that for the current fiscal year, as I have stated, there will be an increase in the expenditure on account of Consolidated Fund of about \$14,500,000. A revenue of \$163,000,000 and an expenditure of \$126,500,000 leaves a surplus of revenue over and above the amount required for expenditure upon current account of \$36,500,000.

The surplus for the year, then, will be thirty-six million five hundred thousand dollars as compared with fifty-six million dollars last year.

In connection with this matter of surpluses, it may not be out of place for me to point out that from the year 1902 forward there have been substantial surpluses of revenue over current expenditure, running from \$14,000,000 in 1902-3 to \$22,000,000 in 1909-10, to \$30,000,000 in 1910-11. For the year 1911-12 our surplus was \$37,000,000, for 1912-13, as I have stated, \$56,000,000, and for last year, 1913-14, the figure which I have just given, \$36,500,000. So we have had during the last three years the largest surpluses in the financial history of the Dominion.

In addition to the ordinary or running expenditure, we have further the capital outlays upon our larger public works and national undertakings, such as the Transcontinental railway, the Intercolonial railway, Hudson Bay railway, Quebec bridge and other works involving heavy expenditures, which have always been regarded as being properly the subject of borrowing. It must be obvious to all that the taxpayer of the day is not to be expected to defray each year the entire capital cost of works such as railways, canals, harbour improvements, dry docks, and other expensive undertakings which once constructed become national assets of great productive value to the Dominion for generations to come. The propriety of constructing these works, partially at least, with funds raised upon the credit of the country does not appear to me to be open to challenge or controversy.

SPECIAL SUBSIDIES TO RAILWAYS.

The House will recall that last year it was considered advisable to render material assistance to railways in order that their work of construction might not be interrupted by reason of the prevailing adverse monetary conditions and the consequent stoppage of funds which previously had been obtainable in the London money market by the railway companies themselves through sales of securities. For this reason and because it was thought proper that, having regard to the cost, magnitude and national importance of the enterprise, further government aid might fairly be granted them, subsidies to a large amount were granted to the companies embraced in the Canadian Northern railway systems. On account of these and other railway subsidies the sum of \$19,000,000 has been expended during the fiscal year 1913-14. A loan of \$15,000,000 was also authorized to the Grand Trunk Pacific Railway Company, secured by the guarantee of the Grand Trunk Railway Company.

My estimate of the expenditure upon capital account, upon railway subsidies and other special accounts, is the sum of \$57,000,000. To meet this we have on revenue account a surplus of \$36,500,000, leaving a debit balance of \$20,500,000, from which we must deduct \$1,500,000, representing investments made in sinking funds. The result then will be that in respect of capital and special accounts aggregating, as I have stated, the sum of \$57,000,000, the net debt of Canada will be increased by the sum of \$19,000,000. Putting the matter another way, our revenues will have been found sufficient to meet all current and capital expenditures including railways, canals, harbour and public buildings expenditure, and we have been obliged to increase the debt only by reason of the unusual and abnormal expenditures upon railway sub-

sidies. I believe I am fully justified in making the statement that in the trying financial conditions which prevailed last year the action of the Government in coming to the assistance of the railways alone rendered the continuation of their enterprises possible, at all events for the year in question. The consequences of the interruption of the work of construction would, I need scarcely say, have been of the most serious character to the Dominion as a whole.

Under all the circumstances of the year, an increase in the net debt in the sum of \$19,000,000 must be regarded as eminently satisfactory, especially when it is borne in mind that in the fiscal year 1908-09, following a much less trying period of financial stringency in 1907-08, the net debt of the Dominion was increased by no less a sum than \$46,000,000. It is also to be noted that, notwithstanding this increase, the net debt of Canada when the books for 1913-14 are closed will be less by several million dollars in amount than it was in 1911 when the present Government assumed office. The explanation of this lies in the fact that during the year 1912-13, when the revenues amounting to upwards of \$168,000,000 were abnormal, and due in considerable measure to commercial inflation, the Government was able to achieve a reduction in the net debt which more than offsets the increase rendered necessary by the abnormal conditions of the year just closed.

MATURITIES AND BORROWINGS, 1913-14.

In my Budget of last year I made mention of the fact that only two loans remained to be provided for until the year 1930. One of these for £1,700,000, being portion of a 4 per cent loan guaranteed by the Imperial Government and issued in 1878, matured on October 1 last, and was duly paid off, as was also a small currency loan originally issued in Canada in 1883 at 4 per cent, but subsequently extended at the rate of 3½ per cent and amounting to \$1,446,565. The other loan to which I referred was originally issued for £6,000,000, of which £5,487,080 is now outstanding, the difference representing a cancelled sinking fund investment. This loan was issued in the form of bonds and is redeemable on July 1, 1919, with the option to the Government to redeem the whole or any part by drawings at par on or after July 1, 1914, on giving three months' notice. With the money market in its present condition, and our borrowings in consequence being upon a 4 per cent basis, it is not our intention to redeem this loan on July 1 next. Unless indeed there is a marked change in monetary conditions in the early future it is probable that this loan will run its full length to July 1, 1919. So much for our maturities, as to which the situation must be regarded as

entirely satisfactory, there being no funded loans becoming payable for five years to come.

I have stated that notwithstanding that our estimates last year were exceptionally large, we have paid our way out of revenue so far as current and capital outlay are concerned. I have also stated that the net debt of the Dominion would be increased by practically the amount of our special outlays upon subsidies and other special accounts.

But while this is the case, our borrowings for the year were considerably greater than the amount by which the net debt of the Dominion has been increased. This was occasioned by the additional large expenditure which we were obliged to make upon investments which constitute a set-off to the increase in the gross debt which they render necessary. Let me recapitulate the special outlays and investments for which it was necessary to borrow during the past fiscal year:

Railway subsidies and other charges, \$20,000,000; investment in Grand Trunk Pacific bonds, guaranteed by the Dominion, \$12,872,333.27; Grand Trunk Pacific loan, \$8,500,000; advances to Montreal and Quebec Harbour Commissioners, \$5,312,000; total, say \$46,684,333.27. Add loans matured, \$9,719,898; total, \$56,404,231.27.

In June, July and August last the London money market was most unfavourable for the issue of new permanent loans. The Balkan war, greatly disturbing in itself to all the money centres of the world and much more so by its menace to the peace of Europe, was still being waged, with the intermission of a futile truce, with the most relentless ferocity on the part of the combatants. While it held the stage there could be no settled financial conditions and no promise of amelioration of the worldwide stringency. In further aggravation, anarchy in Mexico became an additional and potent factor to trouble the exchanges and bourses of Great Britain and the continent. Many important issues of governments, states, provinces and municipalities, which had been obliged, owing to the adverse conditions, to resort to temporary borrowings to be met by funding operations, were overhanging the market awaiting a favourable opportunity for emission. In these circumstances, the Bank of England rate being five per cent, it was not considered expedient, during the months mentioned, to attempt to make a permanent issue, and resort was had to treasury bills, of which £1,000,000 were discounted on August 25, 1913, due February 16, 1914, at the rate of 4 $\frac{15}{16}$ per cent per annum.

In September further treasury bills were issued to the amount of £1,000,000 maturing March 16, half at 4 $\frac{1}{2}$ per cent, and the remainder at 4 $\frac{3}{4}$. On November 19, £1,700,000 of bills were discounted at 4 $\frac{1}{2}$. These fall due on November 19, 1914.

In all £3,700,000 of treasury bills were discounted during the year.

To meet the maturities I have previously referred to, amounting to about ten million dollars, and to provide additional funds for the special outlays of the Dominion, £3,000,000 of four per cent stock redeemable October 1, 1960, with the option of the Government to redeem the whole or any portion thereof in 1940 on giving three months' notice, was issued on September 25, at the price of 99, and on December 3, a further amount of £4,000,000 similar stock was issued at 97, making a total of £7,000,000 of permanent stock issued before the close of the calendar year 1913. Of the last mentioned loan £1,000,000 was used to redeem treasury bills due February 16, 1914.

To meet £1,000,000 treasury bills maturing March 16, to provide for the balance of the Grand Trunk Pacific loan amounting to \$7,500,000 and to complete the purchase of Grand Trunk Pacific bonds guaranteed by the Government of Canada to the amount of about \$10,000,000, it became necessary to issue a further loan of £5,000,000, of the same character as previous loans, which we were able to accomplish in the recent improved condition of the market at 99, two points in advance of the previous issue.

The purchase of Grand Trunk Pacific bonds has not only enabled the Dominion to make a substantial saving upon the amount it would otherwise have been obliged to pay in implementing to par the price which would be realized for these securities if sold as they would have been from time to time, but also has served to protect the credit of the country from the consequence of the issue of such low interest-bearing debentures upon the London market. There is the further fact that so far as the public are concerned our outstanding guarantees are less than they would have been by the amount of our purchases. From the London financial community I have heard nothing but commendation of the action of the Government in this regard. It should therefore be borne in mind in connection with our borrowing that no less a sum than \$24,605,806 has been required so far to take up these bonds which are, of course, an asset in the treasury of the Dominion.

I think I may fairly set forth to the credit of the Government the fact that notwithstanding our heavy borrowings the net debt of Canada is less than it was when we took office, and that guarantees of securities have been reduced so far as the outside world is concerned by over \$24,000,000.

The House has long known that the Dominion, in common with all other Dominions of the empire, has been obliged to go upon a four per cent basis in the sale of its securities.

The causes for the increase in the price that has to be paid for money have been frequently discussed and it is not necessary that I should go over the ground again. So far as I can see it will be some considerable time before there is likely to be even the prospect of a return to the lesser rates. However, no one's opinion upon a question such as this is of much value because rates of interest are dependent upon causes and conditions infinitely varied, complex and fortuitous, and not at all susceptible of forecast.

The rates of interest which we were obliged to pay on treasury bills and the permanent issues we have made were such as the stringent conditions of the year demanded. I am glad to be able to say that they were on the whole relatively low and that the Dominion still retains the premier place among the self-governing dominions so far as the price of her securities in the London market is concerned.

There has been a good deal of comment of a critical and sometimes of an adverse character upon the fact that the public has subscribed for only a small percentage of Dominion loans offered upon the London money market. The House is no doubt familiar with the mode of raising money by loan in that financial centre. The first step is to get our loan underwritten through our fiscal agent in London, and when it is underwritten it is a success so far as we are concerned, because our money is certain. The only object of underwriting and paying a commission to the underwriters is to ensure that if the public do not respond when the issue is made the underwriters will, to the extent that the public do not respond, take up the instalments as they mature. As I have said, when the loan is underwritten the money is secured. There has grown up in London of recent years a habit on the part of the public, particularly in connection with large government loans, of waiting until the lists are closed in the hope that the underwriters, being saddled with a large proportion of the loan, will be willing to sell at a small discount. For the information of the House and as illustrating that custom, to which I have referred as growing up in connection with government loans, I desire to place upon 'Hansard' the record of the past two years as to Dominion of Canada issues and issues made by other dominions of the empire.

Dominion of Canada loans:

£5,000,000, Feb., 1912,	underwriters got	65 per cent.
£2,000,000, Oct., 1913	"	50 "
£4,000,000, Dec., 1913	"	32 "
£5,000,000, Feb., 1914	"	78 "

West Australia:

£1,000,000, Feb., 1912	"	74 "
£1,000,000, Dec., 1912	"	44 "
£2,000,000, Apr., 1913	"	54 "
£1,000,000, Nov., 1913	"	78 "

Queensland :

£2,000,000, July, 1912, underwriters got 89 per cent.
 £2,000,000, Jan., 1913 " 80 "

New Zealand :

£4,500,000, June, 1912 " 85 "
 £3,500,000, Oct., 1913 " 82 "

New South Wales :

£1,500,000, Oct., 1912 " 52 "
 £3,000,000, Mar., 1913 " 84 "
 £3,000,000, Jan., 1914 " 90 "

Government of India :

£3,000,000, Apr., 1912 " 87 "

Union of South Africa :

£4,000,000, July, 1912 " 84 "

Tasmania :

£1,300,000, Jan., 1913 " 85 "

Government of Victoria :

£3,000,000, June, 1913 " 40 "
 £2,000,000, Sept., 1913 " 53 "

On the other hand, I should point out that there were several issues made in January of this calendar year which were almost immediately over-subscribed, there being at that time a certain amount of speculation in connection with these gilt-edged securities due to the loosening up of money and the expectation that monetary conditions would be materially easier in the comparatively near future. After a sudden outbreak of speculative activity in gilt-edged securities, which resulted in a number of issues being over-subscribed in a day or two, the market has resumed its accustomed condition and we have found the underwriters taking a large percentage of loans recently issued to the public.

THE DEBT OF CANADA.

In connection with the subject of our loans, a word as to the debt of Canada may not be out of place, especially as our borrowings have been made the subject of criticism for the most part entirely uninformed in certain of the British and Canadian press.

The Public Accounts for 1913 show the following figures relating to the debt of Canada :

	Total Debt.	Total Assets.	Net Debt.
1911..	\$474,941,487	\$134,899,435	\$340,042,052
1912..	508,338,591	168,419,131	339,919,460
1913..	483,232,555	168,930,929	314,301,625

The year 1911-12 showed, therefore, a reduction in the net debt of \$122,591.32, and last year a reduction of \$25,617,835.03. This year we shall show an increase of \$19,000,000, but notwithstanding this, the net debt of the Dominion will be over six million less than it was two years ago. Since Confederation there are shown in the Public Accounts only eight reductions in the net debt of Canada, of which two belong to the present regime.

Of the total debt the amount of the funded debt payable in London on March 31 of last year was \$258,679,819. This amount has since been increased by about fifty-eight million dollars for the purposes I have mentioned. The balance of the total debt is represented by small funded currency debts payable in Canada amounting to \$2,190,767; Dominion notes to the amount of \$112,101,885 for which, save as to the amount of \$22,500,000, the Dominion holds dollar for dollar in gold; savings banks deposits of \$57,140,483 for which ten per cent in gold is held; provincial notes \$39,220; compensation to seigniors, \$38,091; trust funds, \$15,167,803; province accounts, \$11,920,481, and miscellaneous accounts, \$25,954,002. The assets of the Dominion which are deducted from the gross to ascertain the net debt, were at the end of last fiscal year as follows:

Sinking funds	\$ 13,737,567
Investments	43,885,324
Province accounts	2,296,327
Miscellaneous accounts	109,011,709

In the last named account is included specie amounting to \$98,725,822.

FINANCIAL CONDITIONS.

Looking back upon the year 1913, it is apparent that the whole world passed through one of those severe financial crises with which the student of economics is familiar as regularly recurring phenomena in the financial world. The Balkan war, while immediately responsible for the critical conditions which developed, probably disclosed rather than caused the situation. World-wide expansion in trade, unprecedented demand from all parts of the world upon the loanable capital in the international financial centres, the constantly increasing expenditures upon militarism and armaments, the exhausting wars of the past few years, personal and public extravagance, speculation and price inflation, all co-operated to bring about the financial conditions under review. The banking community, always the first to sense approaching money-scarcity, took precautions well in advance, curtailing credits and limiting the commitments of their customers. Liquidation was forced throughout the world, with the result that at length, about the end of last year, the money supply was more nearly equalized to demand. Since the turn of the year the Bank of England rate has fallen to three per cent, and the outlook for easier money conditions appears much more favourable than at any time during the past two years.

Our own financial institutions stood the strain well. As evidencing their ability to cope with unusual emergency, I

need only refer to the ease and celerity with which the financing of the western harvest was accomplished under the arduous monetary conditions of last fall. So far as the financial stringency is concerned, we may consider that the worst is over. From this time forward until the culmination of the next economic cycle, we are, on the experience of the past, justified in looking for much more normal monetary conditions. For the immediate future it must not be forgotten that vast refunding operations must still be carried out in London, Paris and other centres, making heavy demands upon the money supply available. During the past year there was much criticism of Canadian borrowing. Some of this criticism was just, most of it unjust, but perhaps not blame-worthy under the trying conditions which beset the London market. The criticism which I describe as unjust regarded not at all the question of the security offered nor the price at which the company, municipality, province or Dominion offered its securities, but only the fact that money was being sought. On the other hand, it was realized by all sensible financial men and journals that a borrowing country, such as Canada, in the midst of a vast constructive epoch in her history, could not suddenly discontinue her borrowings without the most serious risk of loss to British and other investors who have so freely furnished the capital for railway and industrial undertakings which must be finished to be productive. On the whole, Canada received generous treatment at the hands of British capital last year. More money was borrowed than in any previous year, but it is probable that a very substantial part of the total was devoted to the liquidation of floating indebtedness or Treasury bills negotiated at an earlier date.

When we consider, apart altogether from its physical resources and its economic strength as a community, the great public works owned and paid for by the Dominion—its canals, railways, including the Intercolonial and the now almost completed National Transcontinental—it can be affirmed with certainty that the national debt of Canada has been kept within very moderate bounds indeed.

TRADE.

The trade of Canada, as measured by the aggregate of the total imports and total exports, reached in 1913 the record figure of over one thousand million dollars. In the Budget of last year I called attention to the fact that during the last three years the total imports had increased at a very much greater ratio than the exports, and that the marked difference between the amount of the imports and the amount of exports in 1913 had evoked criticism on the part of some who put forward the

view that we might expect to be drained of our gold if the condition continued. I pointed out at the time that Canada was a large borrower of capital required for the construction of our transcontinental railways, of great public works, for industrial and commercial enterprises, and for the municipal services of our rapidly growing communities. Expenditure of this kind is of a capital nature, and money borrowed for the purpose of making it is loaned, not upon terms of immediate repayment, but for investment. As a great part of our imports represented our borrowings, and found their way into works and undertakings of the character mentioned, it is obvious that the situation was very different from what it would have been had our imports been for immediate consumption, in which case the adverse balance of trade would have been fraught with serious consequences, if indeed it would have been possible for it to exist at all. The question then was whether Canada would be in a position to pay with her exports not for all her imports, but such only as did not represent capital borrowed abroad for productive undertakings and interest upon her borrowings, past and present. Keeping this distinction in view, and the further fact of the vast amount of capital and effects reaching the Dominion by immigration, it became apparent that the adverse balance of trade gave rise to no cause for alarm. But, while this was so, it is a gratifying feature of the trade of 1913-14 that the exports have increased in a marked ratio, and that the excess of imports over exports, which characterized the previous year, has been materially cut down. While in 1912-13 the percentage of the value of imports to the aggregate trade was nearly 64 per cent up to the end of February, 1913, the percentage of imports to the aggregate trade for the eleven months ended February 28 last was over 57½ per cent, or about the same proportion as in the year 1908. The increase in exports, as shown in the following table, while chiefly in agricultural products, will be found to apply to the products of mines, fisheries, forests, animals and their products and manufactures.

Value of Goods Exported (by classes) from the Dominion—Merchandise only
(Canadian Produce).

Fiscal Year.	The Mine.	The Fisheries.	The Forest.	Animals and their Produce.
	\$	\$	\$	\$
1908.....	39,177,133	13,867,368	44,170,470	55,101,260
1909.....	37,257,699	13,319,604	39,667,387	51,349,646
1910.....	40,087,017	15,663,162	47,517,033	53,926,515
1911.....	42,787,561	15,675,544	45,439,057	52,244,174
1912.....	41,324,516	16,704,678	40,892,674	48,210,654
1913.....	57,442,546	16,336,721	43,255,066	44,784,379
11 months ended Feb. 28, 1914..	52,469,690	19,153,286	40,097,151	50,147,059

Value of Goods Exported (by classes) from the Dominion—Merchandise only
(Canadian Produce.)

Fiscal Year.	Agricultural Products.	Manufac- tures.	Miscellan- eous.	Total.
	\$	\$	\$	\$
1908	66,069,939	28,507,124	67,674	246,960,968
1909	71,997,207	28,957,050	54,931	242,603,584
1910	90,433,747	31,494,916	125,161	279,247,551
1911	82,601,284	35,283,118	285,815	274,316,553
1912	107,143,375	35,836,284	111,676	290,223,857
1913	150,145,661	43,692,708	97,311	355,754,386
11 months ended Feb. 28, 1914..	191,707,483	51,204,162	108,617	404,887,448

Notwithstanding the fact that during the current fiscal year Canada has been experiencing with the rest of the world a severe strain upon commercial credits, owing to the financial stringency to which I have previously adverted, I am pleased to be able to announce that the trade statistics for the year will exceed those of last year, when they reached the record figure of over one billion dollars. For the eleven months ended 28th February, 1914, the total imports amounted to \$597,420,545, and the total exports to \$440,631,104, or a total of \$1,038,051,649. With the figures for March added, the record of last year will be substantially exceeded. I place upon 'Hansard' in tabular form the comparative figures since 1908:

Total Trade of Canada with all countries (including coin and bullion).

Fiscal Year.	Total imports.	Total exports Can- adian and foreign produce.	Aggregate trade.	Percentage of value of imports with aggregate trade.
	\$	\$	\$	%
1908	370,786,525	280,006,606	650,793,131	56.97
1909	309,756,608	261,512,159	571,268,767	54.22
1910	391,852,692	301,358,529	693,211,221	56.52
1911	472,247,540	297,196,365	769,443,905	61.37
1912	539,320,544	315,317,250	874,637,794	63.94
1913	692,032,392	393,232,057	1,085,264,449	63.76
11 months ended Feb. 28, 1914..	597,420,545	440,631,104	1,038,051,649	57.55

It will be of interest to the House if I show the percentage of value of imports with aggregate trade, because the question of balance of trade has been so much discussed in Canada and Great Britain. In 1908 the percentage of value of imports with aggregate trade was 56.97 per cent; in 1909, 54.32 per cent; in 1910, 56.52 per cent; in 1911, 61.37 per cent; in 1912, 63.94 per cent; and I have shown that this year the percentage has fallen to 57 per cent, which was about the rate in 1908.

I also present for the information of the House a table showing the aggregate of our imports and exports from and to the United Kingdom and the United States:

TRADE WITH THE UNITED KINGDOM—MERCHANDISE ONLY.

Fiscal Year.	Imports for Consumption from the United Kingdom.	Exports to the United Kingdom Canadian and Foreign Produce.	Aggregate Trade.
	\$	\$	\$
1908.....	94,417,314	134,477,124	228,894,438
1909.....	70,682,101	133,745,123	204,427,224
1910.....	95,336,427	149,630,488	244,966,915
1911.....	109,934,665	136,962,971	246,897,636
1912.....	116,906,212	151,833,379	268,739,591
1913.....	138,652,198	177,982,002	316,634,200
11 months ended Feb. 28, 1914.....	120,819,158	214,632,520	335,451,678

The table indicates that there will be a falling off in the imports to Canada from the United Kingdom.

There has been a very large increase of exports to the United Kingdom from Canada during the past fiscal year.

Now, I have some figures showing the trade between Canada and the United States of America. I may say for the information of the House that Canada is the second customer of the United States to-day. The largest part of the export trade of the United States is with Great Britain and the second is with Canada. On the other hand, Canada is fifth in her sales to the United States, coming, I believe, even after Cuba as far as the figures of the United States disclose. The following table shows the imports from and exports to the United States:

MERCHANDISE.

Fiscal Year.	Imports for Consumption from the United States.	Exports to the United States, Canadian and Foreign Produce.	Aggregate Trade.
	\$	\$	\$
1908.....	204,648,885	96,920,138	301,569,023
1909.....	170,056,178	91,022,387	261,078,565
1910.....	217,502,415	110,614,327	328,116,742
1911.....	274,844,858	112,208,676	387,053,534
1912.....	330,423,502	112,956,295	443,384,797
1913.....	435,783,343	150,961,675	586,745,018
11 months ended Feb. 28, 1914.....	361,948,599	161,203,378	523,151,977

There was a falling off in our imports from the United States in the past year, as there was in our imports from Great Britain. On the other hand, as in the case of Great Britain, our exports to the United States substantially increased. I think the increase is due, in large measure, to the Underwood Tariff, which has placed live stock, dairy and certain other farm products, fish, manufactures of lumber, and other natural and manufactured products of Canada, upon the free list.

An hon. MEMBER: What is the aggregate trade with the United States?

Mr. WHITE: The aggregate trade with the United States in the year 1912 was \$443,384,797, in 1913 it was \$586,745,018, and for the eleven months ended February 28, 1914, it was \$523,151,977.

Mr. A. K. MACLEAN: Will the minister give the increased exports to Great Britain this year over last year?

Mr. WHITE: In 1913 the exports to Great Britain were \$177,982,002, and, for the eleven months ended February 28, 1914, our exports were \$214,632,520. I am of the view that a large contributing cause to the result was the export of our wheat. It will be recalled by the House that the western harvest was exceptionally early last year and, as I have stated before, it was moved to market with great celerity and despatch.

IMMIGRATION.

I turn now to the statistics of our immigration. It is gratifying to know not only that the stream of new settlers continues to flow into the Dominion, but that there is also apparent from year to year a marked improvement in the class arriving due to restrictive regulations. The arrivals for the past five fiscal years and eleven months of the present fiscal year have been as follows:

Fiscal Year.	Great Britain and Ireland.	Other Countries except United States.	United States.	Totals.
1908-09.....	52,901	34,175	59,832	146,908
1909-10.....	59,790	45,206	103,798	208,794
1910-11.....	123,013	66,620	121,451	311,084
1911-12.....	138,121	82,406	133,710	354,237
1912-13.....	150,542	112,881	139,009	402,432
1913-14 (11 mos.).....	136,699	128,933	97,406	363,038

For the whole fiscal year 1913-14 the total immigration will likely reach 390,000; that is four times the population of our smallest province or enough persons if settled in a community to make thirteen constituencies according to the present units of representation.

For the calendar year 1913 the total immigration to Canada was 418,909, divided into 156,984 from the British Isles, 115,751 from the United States and 146,174 from other countries. According to official estimate the value of effects together with the capital brought in by these immigrants would exceed the sum of \$100,000,000. This is, however, the least important part of their contribution, the most valuable as a national asset being the energy, intelligence and character which they bring to the upbuilding of the nation.

FISCAL YEAR 1914-15.

I now approach consideration of the fiscal year which commenced on April 1. Preliminary to such consideration it may not be out of place to make some brief observations as to prevailing business conditions in Canada and elsewhere. There is no doubt that the severe and prolonged financial stringency through which the business world has passed and from which it is only now emerging marked the culmination of one of those so-called trade cycles well known to economists. The phenomena of these cycles are well known. First a surplus of loanable capital attended with easy money conditions and low interest rates, next commercial activity promoted and sustained by abundant supplies of such capital resulting in profitable trade and rapid extension of enterprise, next, in consequence of such rapid extension, an undue proportion of the money supply of the world finding its way into fixed capital, then shortage of liquid resources among financial institutions, followed as a matter of necessity in order to rectify conditions, by advancing rate of interest with curtailment of credit and consequent restriction of trade. When this last condition is reached and has prevailed for such time as is necessary to permit of the accumulation of loanable capital in sufficient surplus to bring about easy interest rates, another cycle, such as I have described, after a more or less prolonged commercial pause during which confidence is being gradually regained, is entered upon at its beginning. Viewing world-wide conditions during the past few years, it is apparent that such a period has been passed through. We have seen normal money conditions, good times throughout the world, the expansion of enterprise, vast increase in capital expenditure upon railway and other construction in Asia, India, Egypt, and in North and South America. Last year there was experienced a shortage of

capital in all the financial centres with constantly increasing interest rates until, after a period of prolonged and severe liquidation and the elimination of vast amounts of inflated values, something like normal money conditions again prevail. The world is now in a period of general but it is to be hoped temporary trade slackening. Without such slackening the financial stringency must have continued. The trade slackening alone could bring it to its appointed end.

The conditions to which I have referred are world-wide. We are particularly interested in those of Canada. Our production has shown a most gratifying increase in all the great departments of our national activity. As I have previously shown, in foreign trade this has been our greatest year. What is the present outlook? Bankers and business men unite in the opinion that while it is a time for prudence and caution, it is also a time for confidence and courage. The strength of Canada lies in her vast natural resources. That is the rock upon which our prosperity is soundly based and founded. Any depression, generally speaking, can be but temporary in character until such time as normal money conditions, joined with business confidence again restores the wonted activity of the nation. While this is so we must not close our eyes to the fact that we have been passing through a period of considerable inflation. Our railway policy has resulted in the construction of two vast new systems within the past dozen years. Construction upon the main lines of these systems is nearing completion. It must, however, be borne in mind that railways are never completed, are always building and rebuilding, always extending their branches and feeders. I do not therefore look for any abrupt cessation in connection with our railway construction. There has been in real estate throughout Canada a long-expected set-back in values of speculative suburban properties. On the other hand the values of farm and central business and residential city properties are, generally speaking, not only being maintained but will undoubtedly, with the growth of the Dominion, tend to appreciation. On the whole the readjustment which is going on in real estate conditions throughout Canada is recognized as inevitable and salutary. Commercial prospects for the immediate future seem to me to be encouraging. Conditions will, I think, gradually improve with returning confidence and easier money. By reason of the autumn conditions of last year which permitted soil preparation on an unusual scale in all parts of the Dominion, the outlook for agricultural production this year is most favourable and we may look forward to increased production in those other great departments, our fisheries, forests and mines.

ESTIMATES, 1914-15.

Dealing now with the Budget aspects of the year, the main estimates for the fiscal year 1914-15 have been before the House since January. For the outlays on account of consolidated fund there is a total appropriation of \$146,786,126, and for capital \$43,949,050. There will be Supplementary Estimates presented later during the present session, but it is not expected that they will be of large amount. In view of decreasing revenues, which were to be apprehended in a year such as this on the analogy of 1908, which followed the financial stringency of 1907, it has been considered advisable that the Estimates should be kept within as reasonable bounds as possible, having regard to the needed requirements of the country as to public services and national undertakings in progress or necessary to be begun forthwith.

In considering the matter of Estimates as compared with revenue it must be kept in mind that appropriations do not always mean expenditure, partial or complete, and that on the experience of the past it may be confidently predicted that a considerable portion will be unexpended and lapse.

The revenue for the present fiscal year will reach about \$163,000,000. The amount of revenue we shall receive during the coming year will depend very much upon the trend of business throughout Canada. We have experienced a considerable falling off during the past few months but it is my expectation that these declines will with the coming of spring be relatively smaller and my hope that next fall we may regain the losses, if any, of the earlier part of the year. In any event, I think I may say with confidence that the revenues of the coming year will provide fully for Consolidated Fund expenditure and in large measure for all capital and special outlays.

TARIFF.

I now proceed to the consideration of certain matters relating to the tariff. In my Budget of last year I enunciated the general principle that alterations in the schedules of the tariff should be sparingly made if at all until the period has arrived for a general revision. I said also that to give this principle rigid and inflexible application would lead to occasional public detriment and inconvenience. I further stated that having regard to the then prevailing conditions of the Dominion and the fact that there is always a delicate adaptation of business to the rates of the tariff there was a general consensus of opinion that any thing in the nature of an extensive revision of the tariff was not called for by existing conditions and would be contrary to public interest. This general statement holds good

to-day as it did a year ago, but on account of changing conditions affecting certain industries it has become necessary to make a number of changes, modifications and adjustments, some of a rather important character.

Before taking these up in detail I desire to affirm the adherence of the Government to a fiscal policy of reasonable protection to Canadian industries including of course the great basic industry of agriculture. That policy is the historic National Policy of Sir John Macdonald, inaugurated by him and continued by his successors in office down to the present time. We believe it is the best, indeed the only and in a sense the inevitable policy for Canada, situated as it is geographically and in the existing fiscal conditions of the world to-day. Under that policy Canada has prospered in the past and will continue to prosper in the future. We believe it to be the true policy for Canada and for every part of it if we are to regard as desirable stable business conditions and a diversified national life throughout the Dominion. It means the development of our natural resources, the maintenance and extension of our industries, a fair wage standard for our artisans and a stable and profitable home-market for our farmers, thus justifying its name as a national policy—a policy in the interests of the nation as a whole. The evils of a high protective tariff are too well known to make it necessary that I should discuss them here. The tariff of Canada has not been a high tariff but one affording a moderate degree of protection only. The best evidence of this is to be found in the fact that our tariff of to-day imposes an average rate of duty upon dutiable goods of about twenty-six per cent whereas the Underwood Tariff of the United States which was designed to substantially cut down the protective duties of the Payne-Aldrich Tariff has been authoritatively represented as imposing an average duty upon dutiable goods of about the same percentage as ours of to-day.

While making this declaration of reaffirmation of fiscal policy I do not wish to be understood nor do I wish the National Policy to be understood as laying down the proposition that individual duties may not with changing conditions be lowered or abolished when circumstances warrant or the public interest so requires.

DUTY UPON WHEAT AND FLOUR.

A matter which has engaged during the year the careful attention of the Government has been the so-called question of 'free wheat,' which has been so much discussed in the West and throughout Canada. The Underwood Tariff of the United States which came into effect on October 3, 1913, provides by item 644 that wheat, wheat flour, and semolina

and other wheat products shall be entered free of duty from countries which do not impose a duty on wheat or wheat flour or semolina imported from United States; otherwise the duty upon wheat is fixed at 10 cents per bushel and upon wheat flour at 45 cents per barrel and upon semolina and other products of wheat 10 per cent ad valorem.

It is clear, therefore, that if Canada should place wheat, wheat flour and semolina upon the free list our wheat and wheat products would gain free entry to the markets of the United States.

The Government has heard influential depositions and received many representations upon both sides of the question. On the one hand, it is contended that the price of wheat at the great milling centre of Minneapolis is frequently or rather usually higher by several cents per bushel than it is at Winnipeg, and that the western wheat-grower would, in the event of wheat having free entry into United States, get the advantage of the higher price. Particularly is it pointed out that the 'spread' in price prevails at certain seasons of the year when the farmer needs to sell his grain and that it is most marked in the case of wheat of poorer quality for which the demand for export to Great Britain is comparatively limited. It is also put forward that with 'free wheat' the western agriculturalist would be benefitted by the development of further competitive shipping facilities.

As against these contentions it is represented that the higher price at certain seasons at Minneapolis is due to local demand on the part of the milling industry there for hard wheat to mix with the softer varieties for the manufacture of flour; that such demand is limited and that consequently in the event of free entry of our wheat to the American market the tide of our hard wheat descending upon Minneapolis would at once equalize prices on both sides of the line. It is further argued that as both Canada and the United States are wheat exporting countries the export price at Liverpool governs and would continue to govern, subject to freights and other charges, the price of wheat in Canada and the United States. The opinion has also been expressed that free entry of wheat to the United States would be a detriment rather than an advantage to the grain-growers of western Canada, on the ground that by reason of mixing in the United States his wheat would lose its identity and consequently its higher value in the world market.

Representatives of the milling interests of Canada have protested strongly against the abolition of the present duty of sixty cents per barrel upon flour. They point out that the materials entering into the construction of their buildings, their plant and machinery are all subject to duty, and that

with the abolition of duties upon flour they would be in a worse position than under a system of national free trade. They contend that by reason of the geographical situation of the United States wheat fields and the climatic conditions which give the American miller the benefit of both early and late wheat, he enjoys an advantage over them which would speedily give control of Canadian markets to the milling interests of the United States. They claim also that placing flour on the free list would have the effect of limiting or preventing the extension of the milling industry into the Northwest. They urge as a further important consideration that there is no such guarantee of permanence of the Underwood tariff provisions to which I have referred as to justify them in making the costly attempt to create a market for their higher grade flour in the United States in competition with the highly specialized and powerful milling industries which now control the field. Representatives of the mixed farming agricultural community have put forward the view that bran and shorts, the by-products of flour milling, are essential to the live stock industry, upon which all successful agriculture must ultimately depend, and they counsel against any step which might close or limit the output of our mills upon whose operation mixed farming so much depends. They point out further that offal is dearer in the United States than in Canada, and that the removal of the duty would equalize prices on both sides of the line to their disadvantage.

So much for these opposing arguments and contentions. Speaking generally it is not advisable that a nation's tariff should be so arranged as to fit into the particular features of that of another nation. This, however, would not be a conclusive reason for not making a change clearly in the national interest. In addition to the weight of arguments which have been presented against the proposed tariff change, and to which I have alluded, it must be borne in mind that Canada has at present nearing completion two transcontinental lines of railway in addition to the Canadian Pacific, which have cost hundreds of millions to construct, and whose purpose and object is to carry the grain of the West to the markets of the world and the products of the East to the consumers of the West. The Government of Canada is also building a railway to Hudson Bay, with the object of gaining a shorter route to Great Britain and consequently lower freights to the western grain growers. On the Pacific coast we are spending vast sums to be prepared for the opening of the Panama canal.

Having regard to all these considerations, we have been unable, after having given the question most painstaking attention, to bring ourselves to the view that so great a change, invol-

ving by possibility such serious consequences, should be favourably considered until at least we are more certain as to the outcome of our vast railway development and the result to the western grain-grower of the opening of the competitive routes which will be afforded by the Hudson Bay railway and the Panama canal. It is surely the part of wisdom to await the outcome of these developments rather than to take a step now which might involve the risk of grave and irreparable injury to our milling industry and by consequence to our live stock industry and to our transportation systems through the diversion of traffic to routes other than Canadian. In the meantime, realizing the economic conditions surrounding grain production in the West and the supreme and vital necessity that the net price of his grain to the farmer should be as high as the circumstances of storage facilities and rail, lake and ocean transportation will by possibility permit, the Government will continue to devote itself to the solution in the interests of the grain-growers of the question of rates of elevator companies, railway and steamship companies, and other agencies whose aggregate of charges take, under present conditions, such a formidable toll from the price at which the product of western grain fields sells on the world-market at Liverpool.

IRON AND STEEL INDUSTRY.

During the past two years the condition of the iron and steel industry of Canada has from time to time been brought to the attention of the Government, and it has been suggested that further aid or additional protection should be granted to it by a continuance of bounties or an increase in the tariff upon its products. Before dealing with the subject further I might be permitted to make some general observations as to the industry itself and the matter of bounties and duties upon iron and steel products. Great efforts have been made in the past by bounties and protective duties to develop and promote this industry. From 1896 to 1910 alone sums aggregating at least fifteen million dollars were paid out by way of bounties upon the production of pig-iron, steel billets and other steel manufactures. In 1910 the legislation providing for bounties came to an end and was not renewed by the late Government, who were evidently of the view that the iron and steel enterprises at Sydney and elsewhere, which had been called into being or had been promoted by such liberal outpourings of public moneys, should with the protection afforded by the tariff be able to continue and prosper without further direct aid from the public treasury. Since the date in question the bounties have not been renewed although the matter on more than one occasion has been brought to the attention of the Government. There is no doubt that

among a large portion of the public there is a decided objection to the principle of bounties. My own view is that bounties are justifiable to call into being new industries where capital, which is always timid as to experimental ventures, requires special inducement to enter upon their development, but after such enterprises have been called into being and firmly established it is difficult to justify further aid of a direct character.

Speaking generally with regard to the iron and steel schedule of the tariff, it is my view and I believe it has been the view of most at least of my predecessors in office that the tariff upon pig-iron and billet steel, which are the raw materials to such a wide variety of industries, should be of moderate amount only. To raise the existing duties on these products would necessitate an increase of duty upon nearly all the products into which they enter as material. These would embrace all agricultural implements, all foundry and machine manufacturers' products, stoves and a multitude of other articles in general use whose price would be raised to the consumer. The difficulties in the way of increasing the duties upon pig-iron and billet steel will be apparent to all and requires no further demonstration. So far as the more finished articles of production are concerned, with the exception of wire rods, about which I shall speak later, the range of protection extends from 25 per cent to 35 per cent, and it must be borne in mind that the larger plants use the whole or the greater part of their pig-iron and billet steel in the production of these more finished articles. During the past two years, 1912 and 1913, the steel companies, speaking generally, enjoyed a prosperous trade. The enormous amount of construction and especially railway construction going on throughout Canada afforded a wide market for their products of all varieties. Particularly was there activity in steel rail production at good prices, two of the larger plants devoting almost their entire efforts to this line of manufacture. Following the financial stringency of last year there has come somewhat of a check, but as railroad building and rebuilding must always continue the outlook for the coming year and for the future in this regard must still be considered as good. It is a fact, however, that conditions have changed to this extent that the demand for steel rails is not likely to be as great in the near future as in the recent past, and the steel plants must now consider a variation in output to meet the changing conditions.

Now, I have certain proposals to make with reference to the items in the iron and steel schedules of the tariff. Item 379 of the tariff provides that rolled iron or steel beams, channels, angles and other rolled shapes weighing not less than thirty-five pounds per lineal yard have a tariff duty of \$2 British prefer-

ential, \$2.75 intermediate and \$3 general, per ton. The House will observe that these rates are confined to what are called merchant mill products, weighing not less than 35 pounds per lineal yard. By item 377, in which the same products are included, n.o.p., the tariff is \$4.25 preferential, \$6 intermediate, and \$7 general. That is to say, upon the smaller merchant mill products up to 35 pounds per lineal yard, the duty is \$4.25 British preferential, \$6 intermediate and \$7 general, whereas upon the heavier products weighing over 35 pounds per lineal yard, the tariff rate is \$2 British preferential, \$2.75 intermediate and \$3 general. That distinction was made at the time the present tariff was enacted, because the larger merchant mill products were not manufactured in Canada. They are not made in Canada in large tonnage to-day, but representation has been made to the Government by the Algoma Steel Company and by other companies, that if the tariff rates which now prevail in respect to the less heavy products be extended to the heavy structural merchant mill products, they will be able to obtain capital for the erection of larger merchant mills capable of producing products of a weight of 120 pounds per lineal yard. They do not ask that a rate of that kind should become immediately effectual; they ask that authority be taken by the Governor in Council to put into effect and operation those higher rates as soon as the Governor in Council is satisfied that the heavier merchant mill products of 120 pounds per lineal yard can be manufactured in Canada. The House will remember that that course was followed in connection with the tariff on steel rails; it was tentatively put on at the rate of \$7 a ton until the Government was satisfied that steel rails could be manufactured in substantial quantities in Canada. We propose, therefore, to take authority to bring the tariff in respect of merchant mill products up to 120 pounds per lineal yard at the rate that I have mentioned into effect when the Government is satisfied that those products can be manufactured here in substantial quantities.

Sir WILFRID LAURIER: What are the rates?

Mr. WHITE: The rates will be those which now prevail in respect of lighter products, namely, \$4.25, \$6 and \$7 per ton.

The Government has been requested upon many occasions during the past two years to impose a duty upon wire rods. Wire rods, which are the raw material for the production of wire nails, drawn wire and other products, are at present on the free list. There are two mills in Canada to-day manufacturing wire rods, one at Sydney and one at Hamilton. The Dominion Iron and Steel Company has invested about \$1,000,-

000 in a wire rod mill, which, I believe, is not fully devoted to wire rod production. The Steel Company of Canada has a wire rod mill at Hamilton which has cost them, I believe, in the neighbourhood of \$750,000. The capacity of the Sydney mill—that is to say, the mill of the Dominion Iron and Steel Company—is 100,000 tons a year, and the capacity of the Hamilton mill—that is, the mill of the Steel Company of Canada—is 75,000 tons a year. Both these mills are at the present time, and have been for some time past, only in partial operation; indeed, the mill of the Dominion Iron and Steel Company has, I believe, always been in only partial operation. The importations of wire rods for the year 1913 were 92,000 tons. The demand in Canada is from 150,000 to 200,000 tons. Wire rods are imported chiefly from the United States and Germany. The price in Pittsburg to-day is about \$25 per long ton. As the House is aware, depressed conditions exist to-day in the iron and steel industry of the United States, and this accounts, no doubt, for the comparatively low price at which wire rods are selling in Pittsburg. The price of wire rods at Pittsburg, plus freight to, let us say, Hamilton, is less than the average factory cost of production in Canada. As I have stated to the House, I have been approached on many occasions during the past year by the two large steel companies, who have made representations that they are ready to supply wire rods to meet the entire demand of the people of the Dominion of Canada, and that their mills are only in partial operation because of the very large tonnage which is being imported at prices which, as I have said, are lower than the average cost of production in Canada. They have asked the Government for a moderate degree of protection, setting forth that theirs is an important industry, that their product is on the free list and that they are entitled, on a fiscal policy of reasonable protection to Canadian industries, to such a tariff as will enable them to compete in fair terms for the market of Canada with the steel manufacturers of the United States, Germany and other countries. It is only fair to the House that I should say that this request upon the part of the large steel companies, the Dominion Iron and Steel Company and the Steel Company of Canada, has been opposed by the nail makers other than those two companies.

I should explain to the House that these two companies of which I have spoken manufacture not only wire rods but also wire nails, which are a product of wire rods. The wire nail makers, whom I shall call in the course of my remarks the smaller nail makers, because their combined output is much less than the combined output of the two large companies, urge that the two steel companies which manufacture wire rods and

also nails are in competition with them in respect of their nail product. The smaller nail makers to whom I have referred have factories in Montreal, Toronto, Collingwood, Hamilton, Owen Sound, Winnipeg, Vancouver, St. John and other places. They expressed the fear, in connection with the application of the two large companies for a protective tariff on wire rods, that the price of their raw material might be enhanced to them, and that the larger companies, under such circumstances, might be able to undersell them in their finished product, that is wire nails. I may say that the two large steel companies are the largest producers of nails in Canada. The capacity of Canadian production is 1,500,000 kegs per annum. The Dominion Iron and Steel Company and its allied company, the Pender Company of St. John produce 17 per cent of that output, and the Steel Company of Canada about 52 per cent, leaving about 30 per cent as the annual production of the smaller nail makers of Canada, the other firms to which I have alluded. I have said that the Dominion Iron and Steel Company and the Steel Company of Canada have urged that they are entitled to a moderate degree of protection upon their finished product, wire rods. At this stage it is proper for me to say that the tariff upon wire nails is 60 cents per keg, an average duty of about 30 per cent; so that the nail manufacturers are protected by a duty averaging about 30 per cent, whereas wire rods are upon the free list and enjoy no protection whatever. The two large companies, the Dominion Iron and Steel Company and the Steel Company of Canada, allege that it is their object to sell rods and build up their Canadian business, and that the granting of a duty would not injure any interest in Canada and by no means injure those engaged in nail making. The Government have given full consideration to the opposing views. We have reached the conclusion that the apprehension on the part of the nail-making firms who have opposed the granting of a duty is not well founded. We believe it is in the interest of the nail-making industry as well as the wire rod industry that a duty should be imposed. I do not believe for a moment that any attempt will be made to take any unfair advantage of the smaller nail manufacturers, but if any unfair advantage should be taken or any oppressive course of conduct exercised towards the purchasers of wire rods, the Government have, of course, the right and the power under the Customs Act, at any time they think it expedient, to lower the duty upon wire rods. We believe that it is most desirable that the important industry of wire rod manufacturing should be firmly established in the Dominion of Canada. This can only be done by a protective tariff on wire rods. To refuse the duty asked for would be to determine that from this time forward Canada should be dependent for wire rods upon foreign manufacturers. This alternative the Government does not feel

that it should assume the responsibility for accepting. I have to propose, then, a duty of \$2.25 British preference; \$3.50 intermediate tariff and \$3.50 general tariff, upon wire rods. I may add that in connection with this imposition of duty no adjustment will be required; there will be no increase of duty on wire or on nails which are the product of wire rods.

DRAWBACK.

There is another matter to which I wish to draw the attention of the House. At present wire rods are on the free list. Wire rods enter into the production of wire used in wire fencing. Wire fencing is used by the farmers of Canada. I propose to recommend to the House that a drawback shall be granted in respect of the duties which I shall propose upon wire rods used in the manufacture of wire of 9, 12 and 13 gauges for wire fencing.

I desire to call the attention of the House to section 288 of the Customs Act. That section relates to drawbacks of duty paid on goods exported. The House is no doubt aware that if a Canadian manufacturer exports a product from Canada he is entitled to a drawback in respect of duty paid upon the imported raw material entering into the manufacture of such exported product. Regulations have been established by Order in Council under authority of section 288 of the Customs Act, to which I have referred. But a curious anomaly exists in connection with the administration of the drawback regulations, which has been a very serious detriment to the iron industry of Canada. The amendment which I have to propose has as its object the enabling of a drawback to be paid on pig-iron used in articles exported, but not exceeding the quantity imported and entered for duty. The explanation of the necessity for the amendment is as follows:

When manufacturing the same article for export and for home consumption it is found impracticable to keep the melts of foreign and domestic iron separate, so that only foreign pig-iron will be used in the article exported and domestic pig-iron in the like article for home consumption; so that a mixture of pig-iron occurs in the course of the manufacture of other articles made from pig-iron. The proposed amendment is designed to enable drawback to be paid to the extent of the weight of pig-iron used in the exported article, but not in excess of the quantity imported and on which duty has been paid. Let me illustrate by a concrete example. A manufacturer of agricultural implements requires, let us say, 30,000 tons of pig-iron in respect of his entire business, both home and foreign, during the year. Let us say that his export business is 10,000

tons of product. Now, it was the intention of the section of the Customs Act which I have read, and the regulations made thereunder, that the manufacturer should be able to obtain a drawback in respect of the duties upon the foreign pig-iron entering into the 10,000 tons of product exported. Let us further suppose that of the 30,000 tons of pig-iron purchased our manufacturer buys 10,000 tons from the United States and 20,000 tons in Canada. They are melted up together, and when he claims his drawback in respect of the 10,000 tons of exported product, the customs officers, under the authority of this statute, are only able to give him a drawback of one-third the duty upon the 10,000 tons of imported foreign pig-iron. The reason for that is that the 20,000 tons of domestic pig-iron which he had purchased are melted together with the foreign pig-iron. The customs officers say that it cannot be demonstrated that the 10,000 tons of American pig-iron went into the 10,000 tons of manufactured product. Therefore, they say, we will not allow you a drawback in respect of the 10,000 tons of pig-iron which you have imported from the United States; we must assume that only one-third of that went into the 10,000 tons of exported product; and we shall allow you, therefore, one-third of the duty which you paid on the 10,000 tons. The result is that Canadian manufacturers who manufacture for export have a special inducement to buy all their pig-iron from abroad. If the manufacturer whose case I have taken had bought the whole 30,000 tons of pig-iron from the United States, no question would have arisen with the customs officials. He would have been entitled to a drawback in respect of the amount exported. The pig-iron industry of Canada has suffered by reason of the inducement which is held out to manufacturers under the drawback regulations to purchase all their requirements in the way of pig-iron in the United States. We propose to remedy that, and on behalf of my hon. friend, the Minister of Customs (Mr. Reid), I beg to give the following notice of motion:

Resolved, that it is expedient to provide that the Governor in Council may, under regulations made for the purpose, allow, on the exportation of goods manufactured in Canada and into the manufacture of which pig-iron imported into Canada mixed with pig-iron made in Canada has entered, a drawback, equal to the duty paid, less such deductions therefrom as is provided in such regulations, on all the pig-iron imported and used by the manufacturer of such goods in manufacturing the goods exported and other goods, and the drawback may be computed on the total quantity of pig-iron, including pig-iron made as aforesaid, entering into such exported goods.

Mr. GERMAN: That will cover all imported pig-iron?

Mr. W. T. WHITE: If 10,000 tons of pig-iron come in and are purchased by a manufacturer who exports 10,000 tons of pig-iron in his exported product, he will get a drawback in respect of the duty paid upon the entire 10,000 tons imported.

Sir WILFRID LAURIER: Will my hon. friend give us the text of the present clause which he proposes to amend?

Mr. W. T. WHITE: Section 288 of the Customs Act reads as follows:

The Governor in Council may, under regulations made for that purpose, allow, on the exportation of goods which have been imported into Canada, and on which a duty of Customs has been paid, a drawback equal to the duty so paid with such deductions therefrom as is provided in such regulations.

2. In cases mentioned in such regulations, and subject to such provisions as are therein made, such drawback, or a specific sum in lieu thereof, may be allowed on duty-paid goods manufactured or wrought in Canada into goods exported therefrom.

3. The period within which such drawback may be allowed, after the time when the duty was paid, shall be limited in such regulations.

I have read the resolution, and the effect of the change will be as I have already indicated to the House.

COAL FOR COKE.

At the present time in Canada the fuel used for the production of pig-iron is coke and charcoal. Coke is already on the free list; charcoal is among the unenumerated items on the tariff and subject to the duties in respect of unenumerated items. There are two furnaces in Canada engaged in the manufacture of charcoal pig-iron, one at Deseronto and the other at Parry Sound. I believe both are closed at the present time on account of the depressed condition of the iron industry. We propose to put charcoal pig-iron upon the same basis as the pig-iron produced from coke, and I shall therefore propose that charcoal, when imported for purposes of pig-iron production shall receive a drawback of 99 per cent of the duty paid. That will be somewhat of an assistance to the charcoal pig-iron industry.

I wish now to deal with a cognate subject. At present coke is free for all purposes, that is to say, an American manufacturer located at Buffalo and having his bituminous coal free of duty, can manufacture coke and supply the needs say, of Hamilton or other parts of Canada. Bituminous coal is dutiable under the present tariff at 53 cents per ton. Bituminous coal is free under drawback provision when imported by proprietors of smelting works and converted into coke at the works for the smelting of metals from ores. The drawback section in the tariff is No. 1019. That means that the proprietors of smelting works may bring in bituminous coal and when the coal is converted into coke at their works for the smelting of metals from ores a drawback of 99 per cent is allowed in respect to the duties paid upon that coal. It is reported to us that large works would be erected in Canada, at Hamilton for one place, and possibly in other places, if proprietors of coke ovens were allowed the same privilege for the same purpose, that is to say, for the smelting of metals from ores and for foundry purposes.

Let me illustrate. A manufacturer of coke at Buffalo to-day can send his coke free to Canada for use in the smelting of metal or for foundry or other purposes. It is only open to the coke manufacturer in Canada to-day to get a drawback in respect of the duty paid upon bituminous coal or coal from which coke is produced if such coke is used at the works in the smelting of metals from ores. We propose to amend that section No. 1019 so as to provide that there shall be a drawback in respect to all duties paid upon bituminous coal when imported by proprietors of coke ovens for the smelting of metals from ores and for foundry purposes. We have made careful inquiry into this matter and we have not been unmindful of the coal interests of Canada, especially those of the Maritime provinces, and we are satisfied that there will be no injurious effect to the great coal mining industries of Canada by reason of the extension of the drawback so as to enable coke manufacturers who desire to supply the Canadian market to locate in the city of Hamilton, say, instead of being obliged, under the present law, to locate in the city of Buffalo.

Mr. MACDONALD: Will the minister tell me what that limitation is exactly, under the change he proposes?

Mr. WHITE: When I read the resolution I will give my hon. friend the wording.

Mr. EMMERSON: I would like to ask the hon. minister whether there are coke ovens at Buffalo or whether the coke ovens are not located at the mines in the United States.

Mr. WHITE: I understand that there is a question at the present time as to whether a large industry will be located at Buffalo for the purpose of supplying the Canadian market, or whether it will be located in Hamilton.

Mr. EMMERSON: There are none in Buffalo now?

Mr. WHITE: I would not say that there are any. I am not aware as to whether there are or are not. I would like to meet the question of my hon. friend from Pictou (Mr. Macdonald). The wording is:

When imported by proprietors of coke ovens and converted at their coke ovens into coke for use in the smelting of metals from ores and in the melting of metals.

They must convert the coal at their works into coke and its use is limited to the smelting of metals from ores and the melting of metals. The latter will be for foundry purposes.

Dealing further with the iron and steel industry, I would call the attention of the House to item 398 of the tariff. That item is as follows:

Wrought or seamless iron or steel tubing, plain or galvanized, threaded and coupled or not, over 4 inches in diameter, n.o.p., British preferential tariff, 10 per cent; intermediate tariff, 12½ per cent; general tariff, 15 per cent.

The House will observe that there is a limitation to 'wrought and seamless iron or steel tubing over four inches in diameter,' whereas the tariff item 399 is as follows:

Wrought or seamless iron or steel tubing, plain or galvanized, threaded and coupled or not, 4 inches or less in diameter, n.o.p., British preferential tariff, 20 per cent; intermediate tariff, 30 per cent; general tariff, 35 per cent.

At the time the customs tariff of 1907 was enacted this tubing over four inches in diameter was not being manufactured in Canada. It is being now, and has been for some time, manufactured by the Page, Hersey Company of Welland. We intend therefore to give an increase up to 10 inches so as to meet the changed conditions regarding the manufacture of this article in Canada. In that connection we shall amend drawback clause 1017, making it uniform and granting a drawback of 50 per cent instead of 99 per cent in respect of one of its parts.

Mr. MACDONALD: What will be the exact position of item 398? Will it be amended or is it only the drawback?

Mr. WHITE: That will drop out and will be re-enacted under two items.

Mr. NESBITT: What is the reason of the dropping of seamless tubing?

Mr. WHITE: I will explain the matter in committee. It will take considerable time to explain it. I hope that will be satisfactory to my hon. friend. I can assure him that this drawback is a comparatively unimportant matter. That concludes the tariff changes that I have to propose in connection with the iron and steel industry.

AGRICULTURAL IMPLEMENTS.

I come now to deal with the important subject of agricultural implements, and with the consent of the House I shall treat of it somewhat at length, especially in view of the debate which took place recently upon the resolution of my hon. friend from Moosejaw (Mr. Knowles), asking for the abolition of all duties upon agricultural implements.

At six o'clock the House took recess.

The House resumed at eight o'clock.

Mr. WHITE: Mr. Speaker, when the House rose at six o'clock, I was entering upon a consideration of the question of

duties upon agricultural implements. I stated that it was my intention to deal with the matter somewhat at length on account of the resolution which was moved by my hon. friend from Moosejaw (Mr. Knowles), in this House recently, and the debate thereon which ensued. I did not take part in that debate, because, although the resolution was entirely in order, I felt that a discussion upon a matter relating to duties could more properly take place upon the occasion of the Budget Speech. Now, Mr. Speaker, it has been recognized, I think, by all governments that it is most important that duties upon agricultural implements should be fixed at rates as reasonable as possible having regard to fiscal policy. Agriculture is recognized as the great basic industry, and it is important that the implements which the farmer uses—his plant, so to speak—should cost him as little as possible. This principle, Sir, is recognized in the tariff of to-day. The average rate of duty upon dutiable goods under the present tariff, the tariff of 1907—the tariff of the late Government as well as of the Government of to-day—is 26 per cent. The duties upon agricultural implements are chiefly $17\frac{1}{2}$ per cent and 20 per cent.

Now, there is one point to which I desire to refer in this discussion. The tariff of this or of any other country—and especially of a protective country—is a structure; one part is dependent upon another part; the rates of the tariff are related one to another; the rates on finished products are related to and largely dependent on the rates on raw materials which are usually finished product of other manufactures, and dutiable. This solidarity, so to speak, of the tariff cannot be lost sight of. Usually it is impossible to deal with a single item without at the same time dealing also with other related or dependent items. To arbitrarily single out special products and lower or abolish the duties upon them without dealing also with necessarily related duties would not only result in the grossest injustice to those affected thereby but would exercise a most harmful effect upon the entire industry of the nation by the ensuing loss of confidence on the part of the business community. On account of this consideration, it is unusual to make many tariff changes except upon occasions of general revision when the tariff can be dealt with as a whole after due inquiry and consideration as to the scope and bearing of all changes proposed. If modifications are then regarded as necessary, upon a range of products or commodities, any other modifications dependent thereon or necessary thereto may also be made, to the end that injustice and disturbance of business may, as far as possible, be avoided.

Now, Mr. Speaker, this is by way of preface to the remarks which I propose to offer in respect of the resolution which was

supported, I believe, unanimously by the Liberal members of this House to the effect that:

In the opinion of this House the time has arrived when, in the interests of the farmers, and consequently in the interests of the whole of Canada, the duties on agricultural implements should be forthwith removed.

Sir, there is no reservation or exception about that resolution. It is a drastic resolution calling for the abolition of all duties upon all agricultural implements of every kind and nature whatsoever. Upon the occasion of the debate on the Address, I referred to the declaration at Hamilton and at Montreal by my right hon. friend the leader of the Opposition (Sir Wilfrid Laurier), in favour of a policy of free food, and I said on that occasion, and I say now, that free food means free trade. I say further now, that free agricultural implements mean free trade.

Mr. TURRIFF: Free trade in implements.

Mr. WHITE: Free trade. Having gone so far, my right hon. friend must inevitably go further. The logical and inevitable outcome and conclusion of his declaration respecting free food and of the policy respecting free agricultural implements is the fiscal policy of free trade. Sir, I have no exception to take to my right hon. friend espousing a policy of free trade. I simply desire to say this—that we on this side of the House are ready to accept that gauge of battle, whenever he chooses to throw it down.

Now, I am going to ask this House to consider the position of the manufacturer of agricultural implements with all his duties abolished. But first, what is his position under the tariff of to-day? The manufacturer of agricultural implements, as the manufacturer of other commodities in Canada buys subject to duty, his stone, his brick and all other building materials that enter into the composition of his establishment. He buys subject to duties his engines, his machinery and his plant generally. He pays fifty-three cents a ton upon the coal that he consumes in his furnaces. He buys subject to duty his iron, his steel, his bars, his shapes, sheets, wire, forgings, plates, nuts, washers, tubing, chains, castings and practically all other articles entering into his product. The range of duties upon the articles I have mentioned is for the most part from twenty to thirty per cent. With practically everything he uses dutiable, on what principle can we sweep away the duties upon the product of the manufacturer of agricultural implements? I ask this House, upon what principle can it be done? Now, is my right hon. friend prepared to take the further logical step and to vote for the abolition of all duties upon the raw and finished products entering into the manufacturing of agricultural imple-

ments? To do so would work the most serious damage to all industries concerned: to the coal industry, to our great basic iron and steel industry, to our machinery and foundry industry, to say nothing of a multitude of others of minor importance. A large part of their tonnage would be lost to foreign manufacturers, and many establishments would undoubtedly close their doors. Let us assume for a moment that my right hon. friend was ready to go so far as that; would he then accomplish the end that he had in view? Could the manufacturer of agricultural implements—and by agricultural implements I mean all agricultural implements, because that is what the resolution had in contemplation—could he, if he had all the products constituting his material upon the free list, hold his own in competition with the implement makers of the United States? The cost of production is necessarily higher in Canada, even under those conditions, for this reason: it is a well-known fact that cost of production is in inverse ratio to the tonnage: the greater the tonnage, the greater the number of implements manufactured, the less the cost of production, and until this country has developed its industry to the extent to which it has been developed in the United States, it will not be possible for us to compete on even terms with the highly specialized and powerful industries of that republic.

One of the greatest markets for agricultural implements in Canada is the Northwest. I have been looking into the question of freight rates and I find that the freight rates between Chicago and Winnipeg upon agricultural implements are lower than they are between Hamilton and Winnipeg. Therefore, even if the duties upon raw materials were abolished the Canadian manufacturer of agricultural implements would be at a disadvantage with his American competitors. That being so, what would be the inevitable result of the policy, advocated by the hon. gentlemen opposite, of the abolition of duties on all agricultural implements of every kind and nature whatsoever? The effect would be this: it would transfer the entire agricultural implement business of Canada to the United States; it would depopulate some of our most thriving towns, and for what? That an American trust ultimately might gain control of the Canadian market from east to west and dictate prices at its own sweet will.

I propose to examine this agricultural implement industry; to see where are the manufactories engaged in the production of agricultural implements, and to see how important is this industry to Canada. According to the census of 1911 there are in Canada seventy-seven of these establishments, with a capital of \$45,000,000. The number of employees at factories and head offices, nearly all men, is 9,560, and the amount of salaries

and wages paid is \$5,550,000. Materials used amount to \$10,400,000, and the value of products is \$20,700,000. There are fifty-four of these establishments in Ontario, located at forty-three different places and in thirty-five electoral districts. The capital invested in Ontario alone is \$44,000,000. The other establishments are located in the province of Quebec, and at Winnipeg and Brandon in the province of Manitoba. I have a complete list of the places in which there are manufactories of agricultural implements. I shall not go through it in detail, but for the information of the House—because it was a surprise to me—I propose to mention to-night the names of the places in Canada in which agricultural implements of one kind or another are manufactured. This is the list: Hamilton, Brockville, Toronto, Peterborough, Preston, St. Mary's, Smith's Falls, Teeswater, Welland, Terrebonne, Guelph, Ingersoll, St. George, Woodstock, Brantford, Cowansville, Aurora, Ayr, Bolton, Goderich, Merrickville, Orillia, Paris, Laprairie, Montmagny, Tillsonburg, Brandon, Chatham, Waterloo, New Hamburg, St. Hyacinthe, Winnipeg, Ottawa, Ridgeway, St. André, Warwick, Summerside, P.E.I., Calgary, St. Thomas, St. Catharines, Stratford, Iberville, Joliette, Halifax, New Glasgow, Waterloo, Walkerville, Sorel, Waterville. So far as the record goes, there are agricultural implement establishments in every province except British Columbia. In these places there is invested \$45,000,000 of capital, the manufactories supporting directly, in operatives and their families, probably 50,000 people—the mainstay industrially of many of the towns that I have mentioned, which afford a market for the surrounding country; these are the establishments that the policy of hon. gentlemen opposite, the policy of the abolition, root and branch, of duties on agricultural implements, would destroy.

What is the condition to-day of those engaged in the manufacture of agricultural implements? I have looked into this matter with a view of ascertaining the facts and dealing with them, I trust, fairly and judicially. Those engaged in the manufacture of agricultural implements have felt, in common with those engaged in all other enterprises, and are feeling to-day the financial conditions which have prevailed in Canada during the past two years. Those conditions have been aggravated by a credit system under which the manufacturers of agricultural implements become virtually the bankers for many of those to whom they sell their products. Last year their expectations were disappointed as to the demand there would be for their productions, and to-day the agricultural implement manufacturers of Canada are carrying large inventories because of the over-production of last year. They are confronted

this year with the condition that prevailed to a large extent last year. Money is becoming easier, but they do not expect that their output of this year will at all reach the output of the last and preceding years. Having regard to the fact that the tariff rates upon one commodity are fixed with regard to the rates upon the raw material entering into its production; and having regard to the financial conditions which prevail to-day and affect that industry in common with all others, I say that any extreme, high-handed or arbitrary action could only result most disastrously to that industry. Sir, we are not here to destroy but to encourage and promote Canadian industry. I say that that is our mandate as a Government from the people of Canada. Now we have not been unmindful of the interests of the farmer. We have been desirous that the tariff upon his implements, his plant, should be as reasonable as possible, consistent with our fiscal policy and conditions as they exist in Canada to-day. But, Sir, we have approached the subject in a rational way. We have made inquiries. For considerably over a year past we have been making inquiries and investigations into the question of agricultural implements. We have made an investigation into the prices of agricultural implements on both sides of the line, in Canada and in the United States. We have made an inquiry as to the factory cost of production of the principal agricultural implements in Canada and the United States. We have examined the balance sheets of manufacturers with the idea of ascertaining what their position is and whether or not they are making undue profit upon their business.

Mr. TURRIFF: Would the hon. gentleman state whether, in making that examination, he also examined as to what amount of cash was in the stock and what amount of water?

Mr. WHITE: The examination as to selling price was made by a trusted official of the Customs Department, Mr. Thomas Costello. We examined into the cost of production. I examined the balance sheets myself and I think, without paying myself too much of a compliment, that I know something about a balance sheet. After having given this matter the most careful and painstaking consideration, we are satisfied that on only one range of implements can the duty be lowered without violation of the fiscal policy of reasonable protection which is designed to encourage and promote the establishment of industries in Canada. There is in the tariff an item respecting a range of implements which are much used in the north-western provinces; I refer to harvesters, reapers, binders and mowers. I think I should point out to the House, because it is pertinent to the observations I made a short time ago with refer-

ence to the duties upon raw material entering into products. that there exists a drawback upon iron and steel, the principal commodities used in the production of these implements, harvesters, reapers, binders and mowers. We have been asked upon more than one occasion to repeal that drawback and to give the steel manufacturers the benefit of the market. There is much to be said for that course. It is a course which would commend itself to one seeking to follow a policy of protection. But, in the interests of the farming community and having regard to the tariff as it exists to-day, we have said: We will allow that drawback item to stand. That drawback upon iron and steel is equivalent to about two or two and a half per cent upon the value of a binder, reaper, mower or harvester. I differentiate the industry engaged in the manufacture of harvesters, reapers, binders and mowers from the others.

Mr. McCOIG: Would the minister state what he means by harvesters, reapers and binders?

Mr. WHITE: I am quoting the words used in the tariff.

Mr. McCOIG: A harvester and a binder are the same thing, it is one machine.

Mr. GERMAN: Does the minister refer to two classes of machine, or to one?

Mr. WHITE: We will call them one, anything for peace. We will say harvesters, reapers and mowers. The binder does not count, because it means the same thing as a harvester. When I was a boy we used to call them binders. There are three firms in Canada engaged to-day in the manufacture of harvesters, reapers and mowers, the Massey-Harris Company, of Toronto, the International Harvester Company, of Hamilton, and the Frost and Wood Company, of Smith's Falls.

Mr. NESBITT: And the Noxon Company, of Ingersoll.

Mr. WHITE: I had overlooked that firm; I shall be glad to learn of any others. I would make this distinction between the cases of harvesters, reapers and mowers and all other agricultural implements, that for home consumption there is a drawback upon iron and steel products entering into the manufacture of those three implements. That is one point of distinction between the industries engaged in the manufacture of those implements and industries engaged in the manufacture of all other agricultural implements. Another point of distinction is this. Those are among the most highly developed industries in the world. The manufacture of harvesters, reapers and mowers has been brought to an extraordinary point of perfec-

tion both in Canada and in the United States, and it is a matter of pride to me that the Canadian manufacturer of harvesters, reapers and mowers is not only able to hold his own but to do exceptionally well and sometimes to best his competitors in the markets of the world.

Mr. McCOIG: Will that include corn harvesters as well as grain harvesters?

Mr. WHITE: I am unable to answer that question immediately, it is a more or less technical question, and I have not the information at the moment.

Mr. McCOIG: They are both harvesters.

Mr. WHITE: I am covering, or intended to cover the item in respect of which a drawback is given on pig-iron and steel and their products entering into the manufacture of the implements. I think it does include corn harvesters, but I am unable to say definitely to my hon. friend, because the matter has not been called to my attention. What is, then, the position of these manufacturers of harvesters, reapers and mowers? The Massey-Harris Company has an export business equal to sixty-five per cent of its output. The International Harvester Company of Chicago has, of course, a large export business, but I understand that its export business in Canada is not large. Having regard to the highly developed condition of this industry, and to the fact that it enjoys a drawback in respect of iron and steel, which are the principal products entering into the manufacture of agricultural implements, we have, after the most careful consideration, reached the conclusion that the duty upon harvesters, reapers, binders and mowers which now stands at $17\frac{1}{2}$ per cent in the customs tariff of 1907, can be reduced to $12\frac{1}{2}$ per cent.

Mr. SCHAFFNER: Why do not gentlemen opposite cheer now?

Mr. WHITE: That is $2\frac{1}{2}$ per cent lower than the rates upon harvesters, reapers, binders and mowers proposed in the celebrated reciprocity agreement. Having regard to the cost of production of these implements in the United States and in Canada to-day, and having regard to the greater tonnage of the United States output, and to the difference in freight rates in favour of the United States manufacturers of those implements, I say that that is as low a rate as we are able to obtain if we are to retain these great industries in the Dominion of Canada. Statistics of the Customs Department show that in respect of export of harvesters, reapers, binders and mowers, the draw-

back, which means all the duty that has been paid upon foreign material entering into their manufacture, is about equivalent to 5 per cent. If, therefore, we take into consideration the $2\frac{1}{2}$ per cent which we are still allowing them and, further the $2\frac{1}{2}$ per cent representing the balance of that 5 per cent, harvesters, reapers, binders and mowers are really, so far as protection is concerned, on a 10 per cent basis. I have dealt, I am afraid, somewhat at length, but I hope fairly and justly, with the question of agricultural implements.

There is just one other matter that I have to deal with. Last year we placed upon the free list ditching machines, but inadvertently omitted parts of ditching machines. This year we shall put parts of ditching machines upon the free list.

BUILDING STONE.

I now come to another topic—the question of building stone. By item 306 of the tariff, there is a duty of 20 per cent on building stone dressed, and on rough stone a duty of 15 per cent. That is a difference of 5 per cent, but that margin is more than nullified by the freight rates, and for this reason: When a block of stone is dressed it loses a certain amount of its weight; dressed stone comes in at a 20 per cent duty, but in the dressing, which adds value to it, sufficient weight has been taken off the stone to more than counterbalance, having regard to freights, the margin between the duty upon rough stone and the duty on the finished product. This has been a very great disadvantage to the Canadian stonecutters. Notwithstanding the building activity of the past few years, there have been frequent periods of unemployment among the stonecutters of Canada. The stone comes from Ohio and Indiana, where, for the most part, the work is done. We have been repeatedly petitioned by the stonecutters throughout Canada for a modification of this tariff item, which will permit the rough stone to come in at precisely the same rate of duty existing to-day, and give the work upon that rough stone, the sawing, the dressing and the planing to the stonecutters of Canada. We propose, therefore, that stone sawn on two sides shall continue to come in at the present rate of duty but that on stone sawn on four sides the rate shall be fifteen cents per 100 pounds. There is very great difficulty in administering the tariff to-day on account of the difficulty in ascertaining the value of finished dressed stone coming in as an import. The average ad valorem of the specific rate which I have quoted is 30 per cent. Upon turned, planed, cut or further finished stone I propose a rate of forty five cents per 100 pounds, which is equal to thirty per cent ad valorem. The reason why that higher rate is about the equivalent ad valorem rate to the lower specific rate on stone

sawn on four sides is because of the greater value of the stone which has been planed, turned, cut or further finished. These are the proposals which the Government has to offer in regard to building stone, and I believe that the increase in the tariff rate will enure directly to the benefit of the stonecutters of Canada and indirectly to the country.

One further item—caustic soda and hypochlorite of lime. At present these two items are on the free list. The Canadian Salt Company at Windsor, which employs many men and has a large capital invested in its plant, has for three years been manufacturing these products made from salt. The manufacture of caustic soda and hypochlorite of lime—which is a by-product of caustic soda—is a natural industry in connection with salt production. The users of caustic soda and chloride of lime are the soap and paper manufacturers, but they use a very small proportion indeed, having regard to their production. Therefore, it is not necessary that there should be any readjustment or increase of the tariff by reason of the rates which I shall have the honour to propose to the House. The Canadian Salt Company at Windsor produces now one-third of Canada's requirements in caustic soda. They hope, with the aid of this duty, to produce all. Later, I shall give, in the resolutions which I shall propose, the rates of duties which I have to offer with respect to these two commodities.

I now come to another matter which has been brought to our attention; that is, the tariff with respect to brass. In the tariff of 1907 brass in sheets, bars and rods was dutiable at ten per cent. It was not manufactured in Canada, and, under a provision of the Customs Act, on August 11, 1908, the Governor in Council abolished the duty of ten per cent on brass bars and rods, and it consequently was placed upon the free list. I have stated that it was not then manufactured in Canada. However, I am now glad to say that it is manufactured in Canada. A new plant, involving a capital of about \$250,000 modern, up to date, and well equipped, has been established at West Toronto for the manufacture of copper and brass. I propose now, and it also will involve no tariff adjustment, to restore the item of brass in sheets, bars and rods to the tariff, fixing the same duty as was fixed with respect to it in the tariff of 1907.

IRON ORE DEVELOPMENT.

Now, I approach the end of what I fear has been a somewhat long-drawn-out and tedious Budget. There are a number of minor changes, some of consequence, but chiefly for administrative purposes. Before reaching the resolutions which we have to propose, in order to give notice of them, there is a mat-

ter to which I desire briefly to advert and it is the question of a bounty upon iron ore. This matter has been brought to the attention of the Government by the hon. member for Thunder Bay and Rainy River (Mr. Carrick) who, in a very able speech, introduced the subject to the House. The matter has been discussed in the press, and I notice that it has been made the subject of a debate in the Legislature of the province of Ontario. Without dilating further upon this subject, because the debate which ensued was of a very illuminating and informing character, I desire to say that the Government feels that at the present time it has not sufficient information before it as a basis for intelligent legislative action. Speaking this afternoon with regard to the question of bounties generally, I said that personally, I saw no objection to bounties granted for the purpose of calling an industry into being, but that there was a strong objection to continuing bounties to industries that had been firmly established. We propose, in respect to this important matter, which has been brought to our attention by the hon. member for Thunder Bay and Rainy River to cause an inquiry to be instituted by the Mines Department during the coming summer for the purpose of ascertaining the extent and availability of Canada's ore deposits and the character of the ore, and securing information as complete as possible as to improved methods of treatment. We desire to ascertain, as a result of that inquiry, whether a bounty will induce development and place the Canadian iron ore industry in a reasonable time upon a secure basis, enabling it to compete with foreign ore without the adventitious aid of further bounties.

There is another matter also involving the question of bounties which I desire to call to the attention of the House. There has been placed before us recently, in fact since the beginning of the year, the question of the development in Canada of flax fibre production. I think that the development of the industry of flax fibre production would be of great advantage to certain parts of Canada provided it could be carried on successfully here. But the success of manufacturing flax fibre will depend upon the efficiency of the flax pulling machines and the flax fibre manufacturing machines. I am unable at present to express any opinion as to whether the flax industry is one which, having regard to the labour conditions that prevail in this country, and the stage of invention of the machinery required should be regarded as a possible industry, but during the summer it is our intention to look fully into the matter and see whether such an industry is possible of development in Canada, and whether a reasonable bounty would have the effect of contributing to its institution and development.

Mr. MURPHY: By whom will the inquiry be made?

Mr. WHITE: The first inquiry will be made by the Mines Department, and I am now communicating with Mr. Brock. The second inquiry will be conducted by the officers of the Finance Department, Tariff Branch. That is what I have in my mind at the present time. If it is necessary, we can easily obtain outside expert assistance in the matter.

I propose to offer an amendment to section 7 of the Customs Tariff Act of 1907. That section is as follows:

Articles which are the produce or manufacture of any foreign country which treats imports from Canada less favourably than those from other countries may be subject to a surtax over and above the duties specified in schedule 'A' to this Act, such surtax in every case to be one-third of the duty specified in the general tariff in the said schedule.

I would call the attention of the House to the fact that the provision of one-third is inflexible; that is to say, it must be one-third, no more and no less. In similar legislation in other countries—Germany, Japan and Italy—there is a provision that the surtax may be a rate not exceeding 50 per cent or 30 per cent; that is to say, it is in the discretion of the Government whether it will be 2 per cent, or 15 per cent, or more.

I purpose, Sir, offering an amendment to section 7 of the customs tariff, which will provide that imports from countries which discriminate against the imports of Canada or against shipping may be subject to a surtax over and above the duty specified in the Customs Tariff Act, to an amount not exceeding twenty per cent ad valorem. That is to say, it may be two per cent, or five per cent, or ten per cent, or fifteen per cent, but it must not, under any circumstances exceed twenty per cent, ad valorem. I desire to give notice that upon the House resolving into Committee I shall move the following resolutions:

Mr. SINCLAIR: Would the minister tell the House whether he has considered the application made last year and the year before for a reduction of the tariff on fishing twine, known as marlin. This duty discriminates against the lobster fisheries, all other fishing twine being free. The Minister of Customs told the House last year that when the tariff was dealt with this matter would be considered.

Mr. WHITE: The matter is not dealt with in the changes which I have to propose to the House. I understand that there would be difficulty in the administration of an item such as, I think, the hon. gentleman (Mr. Sinclair) has in mind, but the matter has not been drawn to my attention, so far as I recall, since the House was in Committee upon the Budget of last year.

RESOLUTIONS AND SCHEDULES.

I now beg to give notice that, upon the House resolving itself into Committee, I shall move the following resolutions:

1. Resolved, that it is expedient to provide, in substitution for section 7 of the Customs tariff, 1907:—

(a) that goods the product or manufacture of any foreign country which treats imports from Canada less favourably than those from other countries may be made subject by Order in Council in the case of goods already dutiable to a surtax not exceeding twenty per centum ad valorem, and in the case of goods not dutiable to a rate of duty not exceeding twenty per centum ad valorem:

(b) that goods the product or manufacture of any foreign country imported into Canada in vessels registered in such foreign country may, if such foreign country imposes higher duties of customs upon goods imported into such country in vessels registered in Canada than upon the like goods when imported in vessels of such country, be made subject by Order in Council in the case of goods already dutiable, to a surtax not exceeding twenty per centum ad valorem, and in the case of goods not dutiable to a rate of duty not exceeding twenty per centum ad valorem.

2. Resolved, that the customs tariff, 1907, be amended by authorizing the Governor in Council when satisfied that rolled iron or steel angles, beams, channels, and other rolled shapes or sections, or iron or steel weighing one hundred and twenty pounds and less per lineal yard, are manufactured in substantial quantities in Canada from steel made in Canada to direct that there be substituted for tariff item 379 in schedule A to the customs tariff, 1907, the following:

Tariff Item.	—	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
		\$ cts.	\$ cts.	\$ cts.
379	Rolled iron or steel angles, beams, channels, and other rolled shapes or sections, of iron or steel, not punched, drilled or further manufactured than rolled, weighing over one hundred and twenty pounds per lineal yard, n.o.p. not being square, flat, oval or round shapes, and not being railway bars or rails per ton...	2 00	3 00	3 00

3. Resolved that schedule A to The Customs Tariff, 1907, as amended by chapter 15 of the Acts of 1913, and by Orders in Council be further amended by striking thereout tariff items: 113, 184, 208, 210a, 296, 306, 315, 361, 375, 398, 404, 410, 411, 445, 446a, 460, 471, 486, 542, 543, 545, 546, 575, 577, sections (a) and (d) of the Orders in Council dated 11th August, 1908, designated as items 717 and 720 of the Customs Tariff, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of said items, and to provide that the following items, enumerations and rates of duties be inserted in said schedule A:—

Tariff Items.	—	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
		\$ cts.	\$ cts.	\$ cts.
39c	Cassava flour, when imported by manufacturers of explosives, for use exclusively in the manufacture of such articles in their own factories.....	Free.	Free.	Free.
79a	Rooted carnation cuttings in their first year of introduction.....	Free.	Free.	Free.
99a	Dried or evaporated bananas .per pound	Free.	½ cent.	½ cent.
113	Cocoanut, desiccated, sweetened or not, per pound.....	3 cents	4 cents.	4 cents.

Tariff Items.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
		\$ cts.	\$ cts.	\$ cts.
157a	Amyl alcohol or refined fusel oil, when imported by the Department of Inland Revenue or by a person licensed by the Minister of Inland Revenue, to be denatured for use in the manufacture of metal varnishes or lacquers, to be entered at ports prescribed by regulations of the Ministers of Customs and Inland Revenue, subject to the Inland Revenue Act and to the regulations of the Department of Inland Revenue.....	Free.	Free.	Free.
178a	Provided that on the goods specified in item 178 and imported by mail on and after first day of July, 1914, duties may be paid by Customs Revenue stamps, under regulations by the Minister of Customs, at the rates specified in said item, except that on each separate package weighing not more than one ounce the duty shall be..... each	1 cent.	1 cent.	1 cent.
184	Newspapers, and quarterly, monthly, and semi-monthly magazines, and weekly literary papers, unbound; tailors', milliners' and mantle-makers' fashion plates when imported in single copies in sheet form with magazines or periodical trade journals.....	Free.	Free.	Free.
188a	Decalcomania paper not printed when imported by manufacturers of decalcomania transfers to be used in their own factories in the manufacture of decalcomania transfers.....	Free.	Free.	Free.
208	Boracic acid and borax in packages of not less than twenty-five pounds weight; hydro-fluosilicic acid; oxalic acid; tannic acid; ammonia, sulphate of; sal ammoniac and nitrate of ammonia; cyanide of potassium; cyanide of sodium and cyanogen bromide for reducing metals in mining operations; antimony salts, viz.:—tartar emetic, chlorine and lactate (antimonine); arsenious oxide; oxide of cobalt; oxide of tin; bichloride of tin; tin crystals; oxide of copper; precipitate of copper, crude; sulphate of copper (blue vitriol); verdigris or subacetate of copper, dry; sulphate of iron (copperas); sulphate of zinc; chloride of zinc; sulphur and brimstone, crude or in roll or flour; cream of tartar, in crystals or argols; tartaric acid crystals; iodine, crude; bromine; phosphorus; sulphide of arsenic; carbon bisulphide.....	Free.	Free.	Free.
208a	Chloride of lime and hypochlorite of lime:— 1. When in packages of not less than twenty-five pounds weight each per one hundred pounds..... 2. When in packages of less than twenty-five pounds weight each.....	10 cents. 17½ p.c.	15 cents. 25 p.c.	15 cents. 25 p.c.

Tariff.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
Items.		\$ cts.	\$ cts.	\$ cts.
210a	Caustic soda:— 1. When in packages of not less than twenty-five pounds weight each per pound.....	1-5 cent.	3-10 cent.	3-10 cent.
	2. When in packages of less than twenty-five pounds weight each....	17½ p.c.	25 p.c.	25 p.c.
278a	Peanut oil for manufacturing soap or for canning fish; soya bean oil for manu- facturing soap.....	Free.	Free.	Free.
296	Flint; ground flint stones; feldspar, fluorspar, magnesite; mica schist; cliff, chalk, china or Cornwall stone, ground or unground, refuse stone, not sawn, hammered or chiselled nor fit for flagstone, building stone or paving.....	Free.	Free.	Free.
306	Marble, sawn or sand rubbed, not polished; granite, sawn; paving blocks of stone; flagstone and building stone, other than marble or granite, sawn on not more than two sides.....	15 p.c.	20 p.c.	20 p.c.
306a	Building stone, other than marble or granite, sawn on more than two sides but not sawn on more than four sides, per hundred pounds.....	10 cents.	15 cents.	15 cents.
306b	Building stone, other than marble or granite, planed, turned, cut or further manufactured than sawn on four sides, per one hundred pounds.....	30 cents.	45 cents.	45 cents.
315	Carbons over six inches in circumference or outside measurement and not exceed- ing thirty-five inches in circumference or outside measurement.....	Free.	Free.	Free.
315a	Carbon electrodes exceeding thirty-five inches in circumference or outside measurement.....	12½ p.c.	20 p.c.	20 p.c.
327a	Silvered lenses for automobile lamps....	10 p. c.	15 p.c.	15 p.c.
353a	Aluminum leaf or foil.....	Free	Free	Free.
361	Gold and silver leaf; Dutch or schlag me- tal leaf; brocade and bronze powders.	15 p.c.	27½ p.c.	27½ p.c.
375	Iron in pigs, iron kentledge, and cast scrap iron; ferrosilicon containing not more than fifteen per cent silicon; ferroman- ganese and spiegeleisen, containing not more than fifteen per cent manganese, per ton.....	1 50	2 50	2 50
375a	Ferrosilicon containing more than fifteen per cent silicon, per ton.....	3 00	4 50	4 50
375b	Ferromanganese and spiegeleisen, contain- ing more than fifteen per cent manga- nese.....	Free.	Free.	Free.
378a	Galvanized rolled hoop iron or hoop steel, numbers twelve and thirteen gauge, per ton.....	\$4 25	\$7 00	\$7 00

Tariff Items.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
		\$ cts.	\$ cts.	\$ cts.
398	Wrought or seamless iron or steel tubing, plain or galvanized, threaded and coupled or not, over four inches in diameter but not exceeding ten inches in diameter, n.o.p.....	20 p.c.	30 p.c.	30 p.c.
398a	Wrought or seamless iron or steel tubing, plain or galvanized, threaded and coupled or not, over ten inches in diameter, n.o.p.....	10 p.c.	15 p.c.	15 p.c.
404	Galvanized iron or steel wire, curved or not, numbers nine, twelve and thirteen gauge with variations from such gauges not exceeding four one-thousands of an inch, and not for use in telegraph or telephone lines.....	Free.	Free.	Free.
410	Coil chain, coil chain links including repair links, and chain shackles, of iron or steel, one and one-eighth of an inch in diameter and over.....	Free.	5 p.c.	5 p.c.
410a	Coil chain, coil chain links including repair links, and chain shackles, of iron or steel, n.o.p.....	15 p.c.	20 p.c.	20 p.c.
411	Malleable sprocket chain, and link belting chain of steel, when imported by manufacturers of agricultural implements for use in the manufacture of such implements in their own factories.....	Free.	Free.	Free.
445	Mowing machines, harvesters, self binding or without binders, binding attachments, reapers, and complete parts thereof, not including shafting or malleable iron castings; also finished parts for repairs of the machines specified in this item.....	12½ p.c.	12½ p.c.	12½ p.c.
445a	Malleable iron castings when imported by manufacturers for use exclusively in their own factories in the manufacture of mowing machines, harvesters, binding attachments and reapers.....	15 p.c.	17½ p.c.	17½ p.c.
446a	Traction ditching machines (not being ploughs) adapted for tile drainage on farms, valued by retail at not more than three thousand dollars each, and complete parts thereof for repairs.....	Free.	Free.	Free.
453a	Electric dental engines.....	15 p.c.	27½ p.c.	27½ p.c.
460	Sundry articles of metal as follows, when for use exclusively in mining or metallurgical operations, viz.:—Diamond drills, not including the motive power; coal cutting machines, except percussion coal cutters, coal augers and rotary coal drills; coal heading machines; core drills; miners', safety lamps and parts thereof, also accessories for cleaning, filling and testing such lamps; electric or magnetic machines for separating or			

Tariff Items.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
		\$ cts.	\$ cts.	\$ cts.
	concentrating iron ores; furnaces for the smelting of copper, zinc and nickel ores; converting apparatus for metallurgical processes in metals; copper plates, plated or not; machinery for extraction of precious metals by the chlorination or cyanide processes; amalgam safes; automatic ore samplers; automatic feeders; retorts; mercury-pumps; pyrometers; bullion furnaces amalgam cleaners; blast furnace blowing engines; and integral parts of all machinery mentioned in this item.....	Free.	Free.	Free.
471	Rolled round wire rods in the coil, of iron or steel not over three-eighths of an inch in diameter, when imported by wire manufacturers for use in making wire in the coil in their own factories. per ton	\$2 25	\$3 50	\$3 50
471a	Rolled round rods in the coil, of iron or steel, whether annealed or cleaned, or not when imported by manufacturers of chain for use only in their own factories in the manufacturer of chain.....per ton	\$2 25	\$3 50	\$3 50
478a	Iron or steel bands, strips or sheets, number fourteen gauge or thinner, coated, polished, or not, and rolled iron or steel sections, not being ordinary square, flat or round bars, when imported by manufacturers of saddlery hardware and hames for use exclusively in the manufacture of such articles in their own factories.....	Free.	Free.	Free.
486	Iron tubing, brass covered, not over three inches in diameter, and brass trimmings, not polished, lacquered or otherwise manufactured, when imported by manufacturers of iron or brass bedsteads for use exclusively in the manufacture of such articles in their own factories.....	Free.	Free.	Free.
494a	Cork slabs, boards, planks and tiles produced from cork waste or granulated or ground cork.....	20 p.c.	30 p.c.	30 p.c.
533a	Garnetted wool waste in the white when imported by manufacturers of woollen goods for use exclusively in their own factories.....	Free.	Free.	Free.
542	Jute or hemp yarn, plain, dyed or coloured, when imported by manufacturers for use exclusively in their own factories for weaving purposes, or for insulating wire, or for the manufacture of hammocks and twines.....	Free.	Free.	Free.
543	Linen yarn when imported by manufacturers of towels, damask, or seamless linen fire hose duck, for use exclusively in the manufacture of such articles in their own factories.....	Free.	Free.	Free.

Tariff Items.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
		\$ cts.	\$ cts.	\$ cts.
545	Jute and jute butts; jute cloth or jute canvas, as taken from the loom, not coloured, cropped, mangled, pressed, calendered, nor finished in any way....	Free.	Free.	Free.
546	Jute cloth or jute canvas, uncoloured, not further finished than cropped, bleached, mangled, or calendered.....	7½ p.c.	10 p.c.	10 p.c.
548a	Twine or yarn of paper when imported by manufacturers of furniture for use only in their own factories in the manufacture of furniture.....	Free.	Free.	Free.
575	Embroideries, n.o.p.; lace, n.o.p.; braids, n.o.p.; tapes of cotton or linen not over one and one-quarter inches in width, not including measuring tape lines; fringes, n.o.p.; cords; elastic, round or flat; garter elastic; tassels; handkerchiefs of all kinds; lace collars and all manufactures of lace; nets and nettings of cotton, linen, silk or other material, n.o.p.; shams and curtains, when made up, trimmed or untrimmed; corsets of all kinds; linen or cotton clothing, n.o.p.	25 p.c.	32½ p.c.	35 p.c.
577	Silk in the gum or spun silk, when imported by manufacturers of silk thread, silk underwear or of woven labels, for use exclusively in the manufacture of such articles in their own factories....	Free.	Free.	Free.
651a	Buttons of vegetable ivory.... per gross.. and....	5 cents. 20 p.c.	5 cents. 30 p.c.	5 cents. 30 p.c.
671a	Metal tips, studs and eyes adapted for the manufacture of corset clasps and corset wires.....	Free.	Free.	Free.
692a	Articles presented from abroad in recognition of the saving of human life, under regulations by the Minister of Customs	Free.	Free.	Free.

4. Resolved, that Schedule B to The Customs Tariff, 1907, be amended by striking thereout tariff items 1017 and 1019, the several enumerations of goods respectively, and the several rates of drawback of customs duties set opposite each of the said items, and to provide that the following items, enumerations, and rates of drawback of customs duties be inserted in said Schedule B:

Item No.	Goods.	When subject to Drawback.	Portion of duty (not including special duty or dumping duty) payable as Drawback.
1,017	Lapwelded tubing of iron or steel, not less than four inches in diameter, threaded and coupled or not.	When used in casing water, oil and natural gas wells, or for the transmission of natural gas under high pressure from gas wells to points of distribution.....	50 per cent.

Item. No.	Goods.	When subject to Drawback.	Portion of duty (not including special duty or dumping duty) payable as Drawback.
1,019	Bituminous coal.....	When imported by proprietors of coke ovens and converted at their coke ovens into coke for use in the smelting of metals from ores and in the melting of metals.....	99 per cent.
1,021	Rolled round wire rods in the coil, of iron or steel, not over three-eighths of an inch in diameter.	When used in the manufacture of galvanized iron or steel wire, curved or not, numbers nine, twelve and thirteen gauge, with variations from such gauges not exceeding four one-thousands of an inch	99 per cent.
1,022	Charcoal.....	When used for the smelting of metals from ores.....	99 per cent.
1,023	Rolled hexagon iron or steel bars.	When used in the manufacture of cold drawn or cold rolled iron or steel bars, or turned and polished shafting.....	99 per cent.
1,024	Yarns composed in chief value of wool, single, numbers thirty and finer, on mule cops, tubes or cones, or in hanks, dry spun on the French or Belgium systems, in white only, not doubles or twisted.	When used in the manufacture of socks and stockings.....	99 per cent.

5. Resolved, that Schedule C (prohibited goods) to The Customs Tariff, 1907, shall be amended by adding the following:

1212. Aligrettes, egret plumes, or so called osprey plumes, and the feathers, quills, heads, wings, tails, skins, or parts of skins of wild birds either raw or manufactured; but this provision shall not come into effect until 1st January, 1915, and shall not apply to:

- (a) the feathers or plumes of ostriches;
- (b) the plumage of the English pheasant and the Indian peacock;
- (c) the plumage of wild birds ordinarily used as articles of diet;
- (d) the plumage of birds imported alive, nor to—
- (e) Specimens imported under regulations of the Minister of Customs for any natural history or other museum or for educational purposes.

6. Resolved, that the foregoing provisions shall be held to have come into force on the seventh day of April, 1914, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day, except as otherwise provided in the foregoing Resolutions: Provided, notwithstanding any increase in customs duties under the said Resolutions, that all goods actually purchased on or before the sixth day of April, 1914, for importation into Canada, on evidence satisfactory to the Minister of Customs of the purchase having been so made, and all goods in warehouse in Canada on such day, if entered for duty after importation prior to the first day of July, 1914, may be entered at the rate of duty in force on the said sixth day of April, 1914.

CONCLUSION.

Mr. Speaker, this is the third occasion upon which I have had the honour of presenting the Budget to the House, and I have again to express my most grateful thanks for the courtesy, attention and patience with which you have heard me.

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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

THURSDAY, AUGUST 20

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OTTAWA

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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS AT OTTAWA, THURSDAY,
AUGUST 20, 1914.

WAYS AND MEANS—THE BUDGET.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said: I shall preface the introduction of the fiscal measures which I have to propose to the House by a brief statement of the financial position of the Dominion and of the new situation, as it presents itself to me, with which we are confronted as a result of the outbreak of war.

FINANCIAL SITUATION—EFFECT OF WAR.

Owing to widespread financial and economic conditions, to which I referred at length in my Budget speech of April, our revenues since September last have shown a marked decline. During the first four months of the present fiscal year, April, May, June and July, we have experienced a reduction, as compared with the same four months of the previous fiscal year, of over ten million dollars.

In consequence of a general increase in commercial activity, due to easier money conditions, a marked improvement became perceptible about the end of July. The extent of this improvement is reflected in the returns of the first ten days of August, the loss of revenue being \$500,000, or at the rate of say \$1,500,000 for the month, as compared with an average decline of 2,700,000 for each of the four preceding months.

As the decline in revenue for the last fiscal year had begun in October, we had calculated that during the remainder of the calendar year we would gradually overtake the revenues of the

corresponding months of the previous year and could look forward to gains in January, February and March which would have recouped in some measure our earlier losses.

This outlook has been wholly changed by the war. Its startlingly sudden outbreak between Austria-Hungary and Serbia and the appalling rapidity of its extension to Russia, Germany, France, Belgium and Great Britain threw the civilized world into a panic such as was never known before. The shock to international finance was immense. In the general loss of confidence which ensued there arose an instantaneous and universal demand for gold. Huge volumes of securities were thrown upon the market and sold for what they would realize. Liquidation proceeded upon a colossal scale until the prodigious losses of individuals and the vast drainage of gold from all great financial centres compelled the closing of the bourses and exchanges of the world. The demand for gold still continuing in the financial world and general hoarding having begun on the part of the general public, a widespread suspension of specie payment inevitably resulted. In consequence of such suspension accompanied in Great Britain and elsewhere in Europe by moratory proclamations whereby the payment of maturing obligations was postponed, and by reason of the fact that gold could no longer be shipped across the Atlantic owing to the menace of hostile cruisers, the exchange system of the world at once experienced collapse. In the meantime international trade was prostrated by the blow which severed at once all intercourse between belligerents and caused immediate cessation of commerce between Europe and America.

All these cataclysmic events have been compressed within the period of two or three weeks; and yet such is the flexibility of the financial organization of the world, that already order is emerging out of what seemed hopeless chaos, and the vast and complicated machinery of commerce and finance is with hourly-increasing efficiency resuming its normal function.

For the purposes of this presentation it remains for me to estimate, so far as possible, our expenditures for the year, indicate my view as to revenue and submit the measures proposed by the Government to meet the altered conditions with which we are confronted. I should not be frank if I did not at once say that I put forth my view as to both revenue and expenditure with the utmost diffidence, because it is not possible for any one to forecast with any measurable degree of certainty what lies ahead of us under either of these headings.

Before the outbreak of war we had calculated upon a revenue of one hundred and forty-five million dollars and an expenditure of about one hundred and seventy-five million dollars of which \$135,000,000 would have been upon Consolidated Fund

Account and \$40,000,000 upon Capital, Special, and Investment Accounts.

In June last we floated a loan of £5,000,000, the proceeds of which with our expected revenues would have carried us into next fall when a further loan of say £3,000,000 would have sufficed for our requirements until the end of the fiscal year, including the retirement of £1,700,000 Treasury Bills maturing in November next.

Our present cash position is normal, our bank balances both in Canada and in London having been well maintained.

ESTIMATED REVENUE, 1914-15.

I proceed now to deal with the situation as changed by the war. As to revenues for the remainder of the year it is with much hesitation that I venture upon an estimate. For some time past I have had the tariff experts of my Department and of the Customs Department considering the question. That we shall experience a sharp decline in customs revenue due to decreased importations seems certain. The war itself shuts off automatically our trade with the enemy. The increased risk of ocean traffic must have a most serious effect upon our sea-bourne commerce. Above all, the temporary cessation of the stream of our borrowings in Great Britain will diminish our capital and other expenditures and express itself in a marked diminution in our imports. On the other hand we shall probably increase our imports from the United States, through whose ports goods from Europe will no doubt find their way. The enhanced prices of our grain, food and other products will give us greater buying power than we should have otherwise possessed from this source. After careful consideration of all these aspects of the question we are of the view that our revenues from present sources for the year should reach from \$130,000,000 to \$135,000,000.

ESTIMATED EXPENDITURE, 1914-15.

With regard to expenditures it will be the policy of the Government so far as possible to maintain the existing programme of public works under construction. New works will not, however, be undertaken until the financial situation clears, and in this connection we must ask the forbearance and co-operation of members of both sides of the House. On the one hand we do not desire to shut down construction now under way with the consequent resulting unemployment, and on the other we must have in mind existing financial conditions and embark upon new expenditure only when we have in view the source

of funds with which it may be defrayed. Under this policy I estimate that our revenue will just about suffice to meet our ordinary running expenditure; at least I am hopeful that it will do so.

This leaves to be otherwise provided, for capital, special and investment expenditure, a sum totalling probably \$30,000,000, together with such special expenditure as we may make for the common defence of Canada and the Empire. We are asking Parliament for a vote of \$50,000,000. What portion of this may be expended during the remainder of the fiscal year is problematical, but we must assume at least the greater part. With the world at war and our national existence at stake it is not the part of patriotism to spare either blood or treasure, and the Government may be depended upon to continue to uphold to the utmost of its power the arm of Britain in the fateful contest in which she is now engaged for the preservation of the Empire and the freedom of the world.

Assuming a capital and special expenditure of say \$60,000,000, we must further provide \$8,500,000 for the retirement of Treasury Bills maturing in November, making a total of \$68,500,000, which must be met by the proceeds of borrowing or special taxation. We have already borrowed \$25,000,000 by the issue of June. This leaves a balance of \$43,500,000 which we must now devise ways and means to meet.

WAR TAXATION—CUSTOMS AND EXCISE.

To partially meet the special war expenditure I have to propose certain increases in customs and excise duties upon articles and commodities to the taxation of which resort is usually had in the emergency of war.

The special war taxation which I have to propose to the House will affect the rates of duties of customs and of excise upon coffee, sugar, liquors and tobacco. On green coffee, which was free when imported direct from the country of growth and production or purchased in bond in the United Kingdom, it is proposed to place a duty of $2\frac{1}{4}$ cents per lb. under the British preferential tariff and 3 cents per lb. under the general tariff. The increased revenue on coffee for the year will be about \$500,000. As to sugar, we propose that upon the raw commercial article testing 75 degrees by the polariscope, the rate of duty will be increased from 25 cents under the British preferential tariff to 88 cents per 100 lbs., and from $31\frac{1}{4}$ cents under the general tariff to \$1.11 $\frac{1}{4}$ per 100 lbs. No change is proposed in the rates respecting each additional degree over 75 degrees. In other words an increase is proposed of 63 cents per 100 lbs. under the British preferential tariff and 80 cents per 100 lbs. under the

general tariff. On raw sugar which tests 96 degrees an increase is made in the British preferential tariff from $40\frac{3}{4}$ cents per 100 lbs. to $\$1.03\frac{3}{4}$ per 100 lbs. and an increase in the general tariff from $57\frac{1}{2}$ cents per 100 lbs. to $\$1.37\frac{1}{2}$ per 100 lbs. On refined sugar testing 88 degrees by the polariscope the British preferential tariff rate will be increased from 72 cents to $\$1.52$ per 100 lbs., and under the general tariff from 93 cents to $\$1.93$ per 100 lbs. No change is made in the rates respecting each additional degree over 88 degrees. In other words an increase is proposed of 80 cents per 100 lbs. under the British preferential tariff and $\$1.00$ per 100 lbs. under the general tariff.

On refined sugar which tests 99 degrees we propose to increase the British preferential tariff from 83 cents per 100 lbs. to $\$1.63$ per 100 pounds and the general tariff from $\$1.07\frac{2}{3}$ to $\$2.07\frac{2}{3}$ per 100 lbs. That is to say, we propose to increase refined sugar four-fifths cents per lb. under the British preferential tariff rate and one cent per lb. under the general tariff rate. The revenue we shall derive from this special taxation on sugar will probably exceed $\$5,000,000$ per annum upon the basis of last year's importations of sugar.

On whisky, brandy, gin and other distilled spirits of like character, it is proposed to increase the duty from $\$2.40$ to $\$3$ per proof gallon. The increased revenue on spirits so imported will exceed $\$2,500,000$ per annum upon the basis of last year's consumption. Certain other minor changes will be proposed, which it is unnecessary to advert to here, on account of the increase in coffee, sugar and spirits duty—there are certain changes, known as consequential changes, which it is necessary to make in the duties on certain commodities by reason of the increased duties imposed on articles which are raw materials in their production. On cigars and cigarettes we propose to increase the specific rate from $\$3$ per lb. to $\$3.50$ per lb., and on manufactured tobacco we propose an increase of 10 cents per lb. The increased revenue from this source will be over $\$200,000$ per annum. I may explain that on account of schedule C of the French treaty no increase can be made in the rates of customs duties on wines and champagnes. The reason is that the customs rates under the French treaty are fixed and specific and not susceptible to increase during the continuation of the treaty.

So much for our proposal as regards customs. I now turn to the measures which we propose with reference to duties of excise. Our proposals in this respect are as follows: upon spirits from $\$1.90$ to $\$2.40$ per gallon; on malt liquor from 10 cents to 15 cents per gallon; on malt from $1\frac{1}{2}$ cents to 3 cents per lb.; on cigars, from $\$2$ to $\$3$ per thousand; on cigarettes from $\$2.40$ to $\$3$ per thousand; on manufactured tobacco from

5 cents to 10 cents per lb. We anticipate an increased revenue from excise calculated upon the consumption of last year, of about \$6,600,000 per annum.

In connection with the increases which I have proposed in customs and excise rates upon liquors and tobaccos, it has come to our knowledge that certain brewers, distillers and dealers, in expectation that a special war tax would be necessary upon these commodities, have during the past two weeks taken exceedingly large amounts out of bond. I have particulars of the abnormal increases in customs and excise revenue under my hand which I shall later lay before the committee. If we fail to deal with the situation thus created, our fiscal measure, so far as it relates to the commodities in question, would be defeated and we should be deprived in large part of the revenue which for the remainder of the year we have calculated upon from these sources. I have to propose, therefore, that part of the legislation relating to duties of customs and excise be deemed to come into effect on August 7, 1914.

These special war taxes, representing only a small fraction of our increase in military and naval expenditure, due to the critical situation which has arisen, will fall upon the entire community. In paying them each citizen will feel that the amount he pays is a direct contribution to the defence of Canada and the Empire.

From these special war taxes I estimate we shall derive additional revenue of about seven million dollars during the remainder of the fiscal year. This leaves a sum of over \$36,000,000 to be provided by borrowing. We shall, as opportunity offers, issue further loans, but I must state to the House that the amount upon which we can rely from this source is conjectural and dependent upon the course of events.

NOTES ACT AMENDMENT.

In these circumstances I am taking authority, by legislation amending the Dominion Notes Act, to increase the amount of notes which may be issued against a 25 per cent margin of gold from thirty to fifty million dollars. This will give us an additional fifteen million dollars free money borrowed from our own people upon the Dominion's credit. We shall avail ourselves of this emergency measure to the extent that it may be found necessary to supplement our borrowings otherwise. I have already given notice of the legislation in that behalf.

INDUSTRIAL CONDITIONS.

As to the effect of the war upon industrial and commercial conditions in Canada, I do not regard it necessary that I should

upon this occasion make any special pronouncement. Injury there will no doubt be to some of our enterprises, but such injury may be most marked at the beginning and not of long duration. In the circumstances I feel that I can confidently appeal to all employers of labour to continue to carry on their operations to such extent as may be feasible to them in order that the distress of unemployment may be minimized as much as possible, and that the first brunt of the war may not fall too heavily upon the working community.

To many of our industries, and notably to agriculture, there should be pronounced stimulation and quickening of activity. Trade between Canada and the motherland will undoubtedly receive an impetus, the importance of which to our future relations it would be difficult to overstate. If I have any general advice to offer it is that the people of Canada will, as I am sure they will, continue to maintain the calm, sane judgment for which they have always been noted. Above all, confidence is a supreme patriotic duty—confidence in one another, confidence in our country and its institutions, in the Empire, in the righteousness of our cause and, under Providence, in the certain ultimate triumph of our arms.

I beg, Mr. Speaker, to give notice that when this House goes into Committee of Ways and Means, I shall move the following resolutions:

CUSTOMS DUTIES.

1. Resolved that it is expedient to amend Schedule A to the Customs Tariff, 1907, as amended by chapter 15 of the Acts of 1913, and by chapter 26 of the Acts of 1914, and to strike thereout tariff items: 21, 22, 23, 25, 26, 27, 28, 29, 43, 44, 45, 66, 103, 104, 105, 106, 107, 113, 134, 135, 135a, 141, 143, 144, 145, 146, 147, 150, 151, 152, 156, 159, 160, 161, 162, 168, 220, 248, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said schedule A:

Tariff Items.		British Preferential Tariff.	Inter-mediate Tariff.	General Tariff.
21	Cocoa paste or 'liquor' and chocolate paste or 'liquor,' sweetened, in blocks or cakes not less than two pounds in weight.....per pound	4 cents.	4½ cents.	4½ cents.
22	Preparations of cocoa or chocolate in powder form	22½ p.c.	27½ p.c.	27½ p.c.
23	Preparations of cocoa or chocolate, n.o.p., and confectionery coated with or containing chocolate, the weight of the wrappings and cartons to be included in the weight for duty... per pound and	1 cent. 22½ p.c.	1 cent. 35 p.c.	1 cent. 35 p.c.
25	Chicory, kiln-dried, roasted or ground, per pound.....	2 cents.	3 cents.	3 cents.
25a	Coffee, extract of, n.o.p., and substitutes thereof of all kinds, per pound	5 cents.	6 cents.	6 cents.
26	Coffee, roasted or ground, and all imitations thereof and substitutes thereof, including acorn nuts, n.o.p., per pound.....	4 cents.	5 cents.	5 cents.
27	Coffee, roasted or ground, when not imported direct from the country of growth and production..per pound and	4 cents. 7½ p.c.	5 cents. 10 p.c.	5 cents. 10 p.c.
28	Coffee, green, imported direct from the country of growth and production, and green coffee purchased in bond in the United Kingdom...per pound	2½ cents.	3 cents.	3 cents.
28a	Tea imported direct from the country of growth and production, and tea purchased in bond in the United Kingdom.....	Free.	Free.	Free.
29	Coffee, green, n.o.p.....per pound and	3 cents. 10 p.c.	3 cents. 10 p.c.	3 cents. 10 p.c.
29a	Tea, n.o.p.....	10 p.c.	10 p.c.	10 p.c.
43	Condensed milk, the weight of the package to be included in the weight for duty.....per pound.	2½ cents.	3½ cents.	3½ cents.
44	Condensed coffee with milk.....	25 p.c.	35 p.c.	35 p.c.
45	Milk foods, n.o.p.; prepared cereal foods, in packages not exceeding twenty-five pounds weight each....	20 p.c.	27½ p.c.	27½ p.c.
66	Biscuits, sweetened.....	20 p.c.	30 p.c.	30 p.c.
103	Fruits preserved in brandy, or preserved in other spirits, and containing not more than forty per cent of proof spirit in liquid contents thereof	60 p.c.	60 p.c.	60 p.c.

CUSTOMS DUTIES.—Continued.

Tariff Items.		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
104	Fruits preserved in brandy, or preserved in other spirits, and containing more than forty per cent of proof spirit in the liquid contents thereof.....per gallon. and . . .	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.
105	Fruits in air-tight cans or other airtight packages, n.o.p., the weight of the cans or other packages to be included in the weight for duty..per lb.	1½ cents.	2½ cents.	2½ cents.
106	Jellies, jams, preserves and condensed mince meats.....per pound.	2½ cents. 25 p.c.	3½ cents. 35 p.c.	3½ cents. 35 p.c.
107	Preserved ginger.....			
113	Cocoanut, desiccated, sweetened or not.....per pound.	¾ cents.	4½ cents.	4½ cents.
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, testing not more than eighty-eight degrees by the polariscope, per one hundred pounds. And for each additional degree over eighty-eight degrees, per one hundred pounds..... Provided that fractions of five-tenths of a degree or less shall not be subject to duty, and that fractions of more than five-tenths shall be dutiable as a degree. Provided that refined sugar shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister of Customs that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise.	\$1.52 1 cent.	\$1.93 1½ cents.	\$1.93 1½ cents.
105	Sugar, n.o.p., not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not more than seventy-five degrees by the polariscope, per one hundred pounds And for each additional degree over seventy-five degrees, per one hundred pounds Provided that fractions of five-tenths of a degree or less shall not be subject to duty, and that fractions of more than five-tenths shall be dutiable as a degree. Provided that all raw sugar, including sugar specified in this item, the produce of any British colony or possession, shall be entitled to entry under the British Preferential Tariff, when imported direct into Canada from any British country. Provided that sugar imported under this item shall not be subject to special duty.	88 cents. ¾ cent.	\$1.11¼ 1½ cents.	\$1.11¼ 1½ cents.

CUSTOMS DUTIES.—Continued.

Tariff Items.		British Preferential Tariff.	Inter-mediate Tariff.	General Tariff.
135a	Raw sugar as described in tariff item 135, when imported to be refined in Canada by Canadian sugar refiners, to the extent of the quantity of sugar refined during the calendar years 1912 and 1913, by such refiners from sugar produced in Canada from Canadian beet-root under regulations by the Minister of Customs, per one hundred pounds, testing not more than seventy-five degrees by the polariscope..... And per one hundred pounds for each additional degree over seventy-five degrees..... Provided that sugar imported under this item shall not be subject to special duty. This item to expire December 31, 1914.	88 cents. $\frac{3}{4}$ cent.	88 cents. $\frac{3}{4}$ cent.	88 cents. $\frac{3}{4}$ cent.
141	Sugar candy and confectionery, n.o.p., including sweetened gums, candied peel, candied pop-corn, candied fruits, candied nuts, flavouring powders, custard powders, jelly powders, sweetmeats, sweetened breads, cakes, pies, puddings and all other confections containing sugar, the weight of the wrappings and cartons to be included in the weight for duty.... per pound and.....	$\frac{1}{2}$ cents. 22 $\frac{1}{2}$ p.c.	$\frac{1}{2}$ cent. 35 p.c.	$\frac{1}{2}$ cent. 35 p.c.
143	Cigars and cigarettes, the weight of cigars to include bands and ribbons and the weight of cigarettes to include the paper covering... per pound and.....	\$3.50 25 p.c.	\$3.50 25 p.c.	\$3.50 25 p.c.
144	Cut tobacco.....per pound	65 cents.	65 cents.	65 cents.
145	Manufactured tobacco, n.o.p., and snuff per pound.....	60 cents.	60 cents.	60 cents.
146	Ale, beer, porter and stout, when imported in casks or otherwise in bottle per gallon.....	30 cents.	30 cents.	30 cents.
147	Ale, beer, porter and stout, when imported in bottles.....per gallon Provided that six quart bottles or twelve pint bottles shall be held to contain.....one gallon.	42 cents.	42 cents.	42 cents.
150	Limejuice and fruit juices, fortified with or containing not more than twenty-five per cent of proof spirits.....per gallon	75 cents.	75 cents.	75 cents.
151	Limejuice and fruit juices, fortified with or containing more than twenty-five per cent of proof spirits, per gallon and.....	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.

CUSTOMS DUTIES.—Continued.

Tariff Items.		British Preferential Tariff.	Intermediate Tariff.	General Tariff.
152	Limejuice and fruit syrups, and fruit juices, n.o.p.			
156	Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; gin of all kinds, n.o.p.; rum, whisky and all spirituous or alcoholic liquors, n.o.p.; amyl alcohol or fusel-oil, or any substance known as potato spirit or potato oil; methyl alcohol, wood alcohol, wood naphtha, pyroxylic spirit or any substance known as wood spirit or methylated spirits, absinthe, arrack or palm spirit, brandy, including artificial brandy and imitations of brandy, n.o.p.; cordials and liqueurs of all kinds n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, angostura and similar alcoholic bitters or beverages; and wines, n.o.p., containing more than forty per cent of proof spirit per gallon of the strength of proof.	17½ p.c.	22½ p.c.	22½ p.c.
	Provided, as to all the goods specified in this item when of less strength than the strength of proof, that no reduction or allowance shall be made in the measurement thereof for duty purposes, below the strength of fifteen per cent under proof.			
	Provided also, that when the goods specified in this item are of greater strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased in proportion for any greater strength than the strength of proof.			
	Provided further, that bottles and flasks and packages of gin, rum, whisky and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength), viz. :—			
	Bottles, flasks and packages, containing not more than three-fourths of a gallon per dozen, as three-fourths of a gallon per dozen ;	\$3.00	\$3.00	\$3.00
	Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen ;			
	Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallons per dozen, as one and one-half gallons per dozen ;			
	Bottles, flasks and packages, containing more than one and one-half gallons but not more than two gallons per dozen, as two gallons per dozen ;			

CUSTOMS DUTIES.—Continued.

Tariff Items.		Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
	Bottles, flasks and packages, contain- ing more than two gallons but not more than two and four-fifths gal- lons per dozen, as two and four- fifths gallons per dozen ;			
	Bottles, flasks and packages, contain- ing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen ;			
	Bottles, flasks and packages, contain- ing more than three gallons but not more than three and one-fifth gal- lons per dozen, as three and one- fifth gallons per dozen.			
	Provided further, that bottles or phials of liquors for special pur- poses, such as samples not for sale to the trade, may be entered for duty according to actual measure- ment, under regulations prescribed by the Minister of Customs.			
159	Spirits and strong waters of any kind mixed with any ingredient or ingredients, as being or known or designated as anodynes, elixirs, essences, extracts, lotions, tinctures or medicines, or ethereal and spirit- ous fruit essences, n.o.p., per gallon and	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30. p.c.
160	Alcoholic perfumes and perfumed spirits, bay rum, cologne and lavender waters, hair, tooth and skin washes, and other toilet pre- parations containing spirits of any kinds:— (a) When in bottles or flasks con- taining not more than four ounces each (b) When in bottles, flasks or other packages, containing not more than four ounces each, per gallon and	60 p.c. \$3.00 40 p.c.	60 p.c. \$3.00 40 p.c.	60 p.c. \$3.00 40 p.c.
161	Nitrous ether, sweet spirits of nitre and aromatic spirits of ammonia per gallon and	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.
162	Medicinal or medicated wines includ- ing vermouth and ginger wine, con- taining not more than forty per cent of proof spirits	60 p.c.	60 p.c.	60 p.c.
168	Malt flour containing less than fifty per cent in weight of malt ; also extract of malt, fluid or not, in- cluding grain molasses—all articles in this item upon valuation without British or foreign excise duties, under regulations by the Minister of Customs. per pound and	3 cents. 35 p.c.	3 cents. 35 p.c.	3 cents. 35 p.c.

CUSTOMS DUTIES.—*Concluded.*

Tariff Items.		British Preferential Tariff.	Inter-mediate Tariff.	General Tariff.
220	All medicinal, chemical and pharmaceutical preparations, compounded of more than one substance, including patent and proprietary preparations, tinctures, pills, powders, troches, lozenges, syrups, cordials, bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters, essences and oils, n.o.p. :— (a) When dry (b) All others..... Provided that drugs, pill-mass and preparations, not including pills or medicinal plasters, recognized by the British or the United States Pharmacopœia, or the French Codex as official, shall not be held to be covered by this item ; Provided, also, that any article in this item containing more than forty per cent of proof spirit shall be rated for duty at....per gallon and.....	20 p.c. 60 p.c.	25 p.c. 60 p.c.	25 p.c. 60 p.c.
		\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.
248	Paints and colours, ground in spirits, and all spirit varnishes and lacquers per gallon	\$1.25	\$1.25	\$1.25

2. Resolved, that any enactment founded on the preceding resolution shall be deemed to have come into force on the twenty-first day of August, nineteen hundred and fourteen, and to have applied to all goods mentioned in the preceding resolution, except as hereinafter otherwise provided, imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day :

Provided, however, that the foregoing provisions respecting goods specified in tariff items 146, 147 and 156 shall be deemed to have come into force on the seventh day of August, nineteen hundred and fourteen, and to have applied to the goods mentioned in said tariff items 146, 147 and 156 imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

EXCISE DUTIES.

1. Resolved, that it is expedient to amend the Inland Revenue Act, as amended by chapter 34 of the Acts of 1908, by repealing sections 154, 201, 222 and 279 thereof, and substituting therefor the following:—

154. There shall be imposed, levied and collected on all spirits distilled, the following duties of excise, which shall be paid to the collector, as herein provided, that is to say :

(a) When the material used in the manufacture thereof consists of not less than ninety per centum, by weight, of raw or unmalted grain, or when manufactured from sugar, syrup, molasses or other saccharine matter not otherwise provided for, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty cents, and so in proportion for any greater or less strength than the strength of proof, and for any less quantity than a gallon ;

(b) When manufactured exclusively from malted barley, taken to the distillery in bond and on which no duty of customs or excise has been paid, or when manufactured from raw or unmalted grain, used in combination, in such proportions as the department prescribes, with malted barley taken to the distillery in bond and on which no duty of customs or of excise has

been paid, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty-two cents, and so in proportion for any greater or less strength, and for any less quantity than a gallon;

(c) When manufactured exclusively from molasses, syrup, sugar or other saccharine matter, taken to the distillery in bond and on which no duty of customs has been paid, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty-three cents, and so in proportion for any greater or less strength, and for any less quantity than a gallon.

201. There shall be imposed, levied and collected on every gallon of any fermented beverage made in imitation of beer or malt liquor, and brewed in whole or in part from any other substance than malt, a duty of excise of fifteen cents, which shall be paid to the collector as herein required: Provided, that any brewer using sugar, syrup or other saccharine matter in the manufacture of beer, and having previously given ten days' notice in writing to the collector of his intention to use such sugar, syrup or other saccharine matter, and paying the duty hereinbefore mentioned on the beer made therewith, may receive a drawback equal to the duty of excise paid by him on the malt used with such sugar, syrup or other saccharine matter in making such beer, under such restrictions and regulations as the department prescribes.

222. There shall be imposed, levied and collected the following duties of excise on all malt, which shall be paid to the collector, as by this Act provided, that is to say:

(a) On every pound of malt manufactured in Canada, subject to excise regulations with respect to coomings and absorption of moisture in warehouse as provided by the Order in Council of the seventh day of February, one thousand eight hundred and ninety-one, three cents: Provided that malt may be removed from a malt-house to a distillery in bond, and the duty on such malt may be remitted upon proof satisfactory to the department that such malt has been used solely for the production of spirits, in which production no other material than malt is used; and provided further that malt used, in any licensed bonded manufactory, in the manufacture of malt extract or other similar medicinal preparation approved by the department may have duty thereon remitted under such regulations as the department establishes;

(b) On every pound of malt imported into Canada and warehoused, when taken out of bond for consumption, an excise duty of three cents: Provided that malt imported into Canada, crushed or ground, shall be subject to a duty of five cents per pound.

279. There shall be imposed, levied and collected on tobacco and cigars manufactured in Canada the following duties of excise, which shall be paid to the collector as by this Act provided, that is to say:

(a) On all chewing and smoking tobacco, fine-cut, cavendish, plug or twist, cut or granulated, of every description, on tobacco twisted by hand or reduced into a condition to be consumed or, in any manner other than the ordinary mode of drying and curing, prepared for sale or consumption, even if prepared without the use of any machine or instrument and without being pressed or sweetened, and on all fine-cut, shorts and refuse scraps, cuttings and sweepings of tobacco made from raw leaf tobacco or the product in any form, other than in this Act otherwise provided, of raw leaf tobacco, ten cents per pound, actual weight;

(b) On common Canada twist, when made solely from tobacco grown in Canada, and on the farm or premises where grown, by the cultivator duly licensed therefor, or in a licensed tobacco manufactory, ten cents per pound, actual weight;

(c) On all snuff made from raw leaf tobacco, or the product in any form of raw leaf tobacco or any substitute for tobacco, ground, dry, scented or otherwise, of all descriptions, when prepared for use, ten cents per pound, actual weight;

(d) Snuff flour, when sold or removed for use or consumption, shall pay the same duty as snuff, and shall be put up in packages and stamped in the same manner as herein prescribed for snuff completely manufactured, except that snuff flour not prepared for use, but which needs to be subjected to further processes, by sifting, pickling, scenting or otherwise, before it is in a condition fit for use or consumption, may be sold by one tobacco manufacturer directly to another tobacco manufacturer, and without the payment of the duty, under such regulations as are provided in that behalf by the department;

(e) On cigars of all descriptions, made from raw leaf tobacco, or any substitute therefor, three dollars per thousand;

(f) On all cigars, when put up in packages containing less than ten cigars each, four dollars per thousand;

(g) On cigarettes made from raw leaf tobacco or any substitute therefor, weighing not more than three pounds per thousand, three dollars per thousand;

(h) On cigarettes made from raw leaf tobacco or any substitute therefor, weighing more than three pounds per thousand, eight dollars per thousand;

(i) On all foreign raw leaf tobacco, unstemmed, taken out of warehouse for manufacture in any cigar or tobacco manufactory, twenty-eight cents per pound, computed according to the standard of leaf tobacco as hereinbefore established;

(j) On all foreign raw leaf tobacco, stemmed, taken out of warehouse for manufacture in any cigar or tobacco manufactory, forty-two cents per pound, computed according to the standard of leaf tobacco as hereinbefore established;

2. In all tobacco manufactories where less than fifty per cent of Canadian raw leaf tobacco is used, and where ten per cent, or more, of other materials is used, such materials shall be subject to a duty of sixteen cents per pound actual weight.

2. Resolved, that any enactment founded on the preceding resolution shall be deemed to have come into force on the seventh day of August, nineteen hundred and fourteen.

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CANADA

BUDGET SPEECH

DELIVERED BY

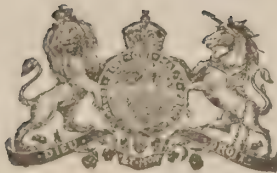
HON. W. T. WHITE, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

THURSDAY, FEBRUARY 11

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OTTAWA
GOVERNMENT PRINTING BUREAU
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BUDGET SPEECH

DELIVERED BY

HON. W. T. WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, FEBRUARY 11, 1915.

WAYS AND MEANS—THE BUDGET.

Hon. W. T. WHITE (Minister of Finance) moved that the House go into Committee of Ways and Means. He said: Mr. Speaker, in the Budget Speech of August last I dealt with the commercial and monetary conditions resulting from the outbreak of war and then prevailing and their probable effect upon the finances of the Dominion. With respect to the latter, I stated at the time that I put forth my views with much diffidence because it was not possible to make a forecast with any measurable degree of certainty.

FISCAL YEAR 1914-1915.

In presenting my statement of to-day I shall deal first with the subject of our revenues and expenditures, actual and estimated, for the current fiscal year which ends on March 31st next. In August I pointed out that we were certain to experience a sharp decline in revenue due to decreased importations attributable to the shutting-off of our trade with the enemy, the interruption and increased risk of ocean traffic and above all the cessation of Canadian borrowings abroad and its effect upon our purchasing power as a community. This forecast has been realized in ampler degree than was at the time expected. Taking the ten months of the year which have already elapsed, that is to say from April 1st, 1914, to January 31st, 1915, the Dominion's revenue from all sources has totalled, in round figures, \$109,500,000. This compares with \$139,000,000 for the corresponding period of the last fiscal year, a decline of

nearly thirty millions. Entering into details we find that of this heavy loss in revenue the falling-off in customs accounts for nearly twenty-eight millions; in excise two hundred thousand; and in miscellaneous items a million and a half. Since the outbreak of the war the contraction in customs revenue has been fairly constant in monthly amount, representing about one-third of the returns for the corresponding period of the previous year. As regards excise the additional duties imposed by the August Budget have had the effect of counteracting the heavy losses which would otherwise have been experienced.

Upon the basis of these figures for the ten months' period and having regard to the present action of the revenue-producing services we estimate that the revenue of the Dominion for the fiscal year ending March 31st next computed upon the present basis of duties would amount to \$130,000,000. The figures for the previous year having been \$163,000,000, this year's loss of revenue would reach a total of thirty-three millions.

So far as the expenditures of the year are concerned, I stated in August that it would be the policy of the Government, in the interest of employment, to maintain as far as possible the programme of public works then under construction but that new works would not be undertaken until the financial outlook became clearer and we should have in view the source of funds from which to meet the expenditure. This policy we have endeavoured to carry out. For the ten months ended January 31st the current expenditure has reached \$102,000,000 and the capital and special \$37,000,000. These figures compare with \$93,000,000 and \$47,000,000 the outlays under the headings in question respectively for the same period of the previous year. The drop in capital and special expenditure is due to the fact that railway subsidy payments have been much less during the present year. For public works and undertakings our disbursements have been greater.

For the whole of the present fiscal year we estimate our current expenditure will be \$140,000,000 and our capital and special expenditure \$50,000,000. Summarizing the estimated results we have the out-turn of the year, stated concisely, as follows:—

Current expenditure	\$140,000,000
Capital and special (other than war) expenditure	50,000,000
<hr/>	
Total	\$190,000,000

Our revenue on the present basis being estimated as I have stated at \$130,000,000, we should have to meet for this year a deficit of ten million dollars on current account plus the entire amount of our capital and special expenditure, a substantial part of which we have in the past been able to defray out of current revenue, a balance only having been provided by borrowing. Included in our ordinary expenditure is an amount of \$2,500,000 which will be required this year for the relief of distress in the drought-stricken districts of Saskatchewan and Alberta. In addition we are making provision for about seven and a half millions or more to be expended in the purchase of seed-grain.

WAR EXPENDITURE.

I have still to deal with the expenditure representing the cost of organizing, training, equipping, transporting and maintaining our forces enlisted for active service in defence of the Empire. In connection with the War Appropriation Bill presented by him at the August session the Right Hon. the Prime Minister presented an estimate of \$30,000,000 covering expenditure until March 31 next for the mobilization, equipment, transport and maintenance of an overseas contingent of 25,000 men and pay of detachments of troops on active home service. Such was the patriotic spirit and enthusiasm with which the call to arms was received throughout the Dominion and such the vigour and expedition with which the mobilization, organization and training of the troops was conducted by the Militia Department that within six weeks after the close of the session, Canada had despatched a contingent of 33,000 men fully armed and equipped as her first contribution in this war to the ranks of the Empire's army. To-day there are nearly fifty thousand troops in active training throughout Canada, their number being increased daily by enlistment. From this body as a permanent nucleus, constantly replenished by recruitment, further contingents will be sent forward from time to time as practicable. The estimate of expenditure presented in August was of course inadequate to meet the enlarged programme and the special war expenditure during the present fiscal year will probably reach the total amount of the appropriation, namely, \$50,000,000. The expenditure to date has been \$38,000,000.

Taking all the foregoing into consideration the increase of Canada's national debt for the year would probably aggregate

\$110,000,000. In this I am of course including our expenditure for war.

In addition to the expenditures to which I have referred the Dominion has made advances on investment account under statutory authority and has met its sinking fund obligations as usual, the funds required to be found for these purposes aggregating \$5,000,000. We also provided for the retirement of £1,700,000 of yearling Treasury Bills which matured in November last.

The House will, from the statements I have made gather that the task of finding money for our requirements as outlined has been somewhat onerous. For four or more months after the outbreak of war international money markets were closed to new issues. By December, after the successful flotation of the British war loan, an easier tone prevailed and it became possible to obtain short date money in limited amounts at fairly reasonable rates. Capital was still, however, averse to permanent investment, although evidence was not wanting of improvement in that regard. Any prospect of general resumption in this respect in Great Britain was, however, terminated by the announcement by the British Treasury authorities on January 18th that owing to the necessity of conserving the financial resources of the country during the war fresh issues should thereafter be made only with their approval. Issues for undertakings outside the British Empire were prohibited. Issues for undertakings within the United Kingdom are to be allowed only if considered advisable in the national interest; those for undertakings in the British Empire overseas only where urgent necessity and special circumstances exist.

FINANCIAL ARRANGEMENTS SINCE AUGUST, 1914.

To meet our financial requirements since the August session the following steps have been taken:—

We arranged with the Imperial Government for advances from September until March 31st of £12,000,000, or say \$60,000,000, of which we have received to date £8,000,000.

We issued for Dominion purposes Dominion notes to an amount of ten million dollars in excess of the additional issue of \$15,000,000 authorized by Parliament at its last session. For this I am introducing special legislation confirmatory of our action.

We borrowed five million dollars from the Bank of Montreal.

We issued after the successful flotation of the British war loan £3,000,000 of six months Treasury Bills negotiated at $4\frac{1}{2}$ and $4\frac{1}{4}$ per cent and maturing in June next.

We sold at a net price of $94\frac{1}{2}$ £1,300,000 of our 1940/60 stock to meet the private requirements of our investing clientele in London.

By these means we have arranged our finances until the end of March of the present fiscal year. At present we have substantial balances to our credit both here and in London.

So far as floating indebtedness is concerned we shall therefore enter upon the new fiscal year with £3,000,000 of Treasury Bills maturing in June and a bank indebtedness of \$5,000,000. Apart from these we have no maturing loans to meet until the year 1919, a most satisfactory situation which I am disposed to attribute to the policy hitherto followed by the Dominion of financing by selling its permanent stock at such prices as could from time to time be obtained rather than by issuing short date loans in the hope of more favourable conditions developing later.

As regards our borrowings from the Imperial Government, our arrangements are that we shall pay interest at the same rate as is paid by the Imperial Treasury upon its war loans, from the proceeds of which advances are to be made to us. At such time or times in the future as may be agreed upon by the British Chancellor of the Exchequer and the Canadian Minister of Finance, a Canadian war loan will be issued and the borrowings from the Imperial Government repaid. It seems to me that no fairer terms could be named than those so generously accorded us by the Imperial authorities.

FISCAL YEAR 1915-1916.

In approaching the question of our finances for the coming fiscal year beginning April 1st next it will be advisable to give preliminary consideration to prevailing trade conditions because upon such conditions will depend the amount of revenue which will be derived from all sources and particularly from customs which is our principal mainstay in the matter of income. Since the outbreak of war there has of course been a most serious interruption of our international trade. Commercial dealings with enemy nations have been automatically

shut off. The increased risk of ocean traffic and higher freights have had their influence. The demoralization of the rates of exchange, which are now happily becoming normal, was for several months a serious detriment to international transactions.

CONDITIONS AFFECTING TRADE.

In addition our import and export trade was for a considerable time and is still in some degree adversely affected by the interruption of our merchant marine service through the chartering so many steamships for the transport of our troops and the engagement of a part of our shipping by the Imperial authorities. The falling-off of immigration, the departure from Canada of reservists and of our own contingent have also had their effect. But by far the most important factor has been the curtailment of our borrowings abroad. This has been the outstanding feature of the economic effect of the war upon Canada. Canada has been borrowing at the rate of from two to three hundred million dollars annually for some years past. For the six months preceding the war our loans abroad and principally in Great Britain aggregated two hundred million dollars or over a million dollars a day. These borrowings represented the sale of securities by the Federal and Provincial Governments, by municipalities and by railway, public utility, industrial and financial corporations. For the most part the purpose of loans so effected was to provide funds for the construction of public undertakings, works and services, railways and industrial and other plants and establishments. The war at once cut off this stream of borrowed money and only recently have there been evidences of its resumption upon a greatly reduced scale. Until the war is over and for a considerable period afterwards it is not probable that monetary conditions will permit of the issue of securities even of the highest character other than for war purposes in any such volume as that to which we have been accustomed in the past. This interruption of the influx of capital has necessarily meant marked curtailment of expenditure upon undertakings, works and buildings in all parts of Canada with consequent reaction upon the industries, trades and businesses furnishing material and supplies therefor. The result has been a material slackening of general constructional activity, considerable unemployment and attendant diminished buying power on the part of the community. Commercial houses are exercising prudence in com-

mitments and the public generally are practising economy, that is to say they are buying less both of domestic and imported produce. The result of all this has been a rapid change in the volume of our imports and exports. For the nine months ended December 31 of the present fiscal year our total exports (merchandise only) amounted to \$353,000,000 as compared with \$380,000,000 for the corresponding period of the previous year, a decrease of \$27,000,000. For the same nine months of the present year our imports (merchandise only) have been \$391,000,000, a decline of \$112,000,000 over those of the corresponding period of the previous year. Thus the ratio of decrease in our exports has been much less than in the case of our imports. The total trade for the first nine months of the present and last fiscal years was \$745,000,000 and \$885,000,000 respectively. In 1912 the so-called adverse balance of trade against Canada was \$225,000,000; in 1913 \$300,000,000; in 1914 \$180,000,000. From present indications it would appear that we shall to a large degree overtake this balance. In view of the decrease in our borrowings which have accounted in large measure for our excess of imports this condition is what we should naturally expect. Our exports will, it is to be hoped, so increase as to enable us, with such borrowings as may be obtained outside of Canada, to pay any trade balance against us together with our interest maturing abroad without resort to gold exports.

ESTIMATED REVENUE AND EXPENDITURE 1915-1916.

From what I have stated it is apparent, that with the war still continuing we may expect for the year 1915-1916 diminishing imports and consequently reduced revenue as compared with the present year in which there have been four ante-bellum months. Upon the present basis of duties of customs and excise we estimate that our revenue from all sources for the coming year would not exceed \$120,000,000. So far as expenditures are concerned the policy we enunciated in August we shall continue. Our estimates contain no new items and as to items which they include we shall proceed with works not already under contract only as we feel justified having regard to the financial situation. Dealing with what we may call uncontrollable expenditure, that is to say expenditure necessary for the conduct of civil government and required to meet interest and other obligations of the Domin-

ion, we cannot look forward to any reduction over the past year. The Dominion has large undertakings under contract for construction. Chief among these may be mentioned terminal and harbour works and improvements in our larger port cities, the completion of the National Transcontinental Railway and the Quebec bridge, the Hudson Bay Railway and the Welland canal.

We must calculate upon a Consolidated Fund expenditure of \$140,000,000 and of Capital and Special expenditure of \$40,000,000. For investments authorized by statute we shall have to provide \$4,000,000 additional. It will be necessary also to raise funds to meet the outstanding Treasury Bills to which I have referred. Our special war expenditure may reach \$100,000,000 for which a special Appropriation Bill will be passed at this session. Our interest charges will, of course, greatly increase from this forward. Our outlay for this year on this account will exceed sixteen millions. In next year's estimates they appear at twenty-one and a half millions. We must also look forward to a large and increasing pension-list expenditure.

It is apparent in these conditions that we must obtain additional revenue to a very substantial amount. Assuming that our total cash requirements for all purposes whatsoever, including our war expenditure, will amount during the coming year to over \$300,000,000 while our revenue on the present basis would yield only \$120,000,000, we are faced with the problem of raising by additional taxation and borrowing a sum in excess of \$180,000,000. My proposals for meeting the situation are as follows:

WAR EXPENDITURE 1915-1916.

So far as concerns our special war expenditure which may reach one hundred million dollars I should be disposed, if we had not such heavy and uncontrollable capital expenditure to meet, to recommend that we should pay at least a part of it from current revenue. But it is obvious upon a consideration of the figures which I have submitted that we shall not by any reasonable supplemental taxation measures be able to close the gap between revenue and expenditure much less to pay a portion of the principal of our special war outlay. In the circumstances I have no hesitation in proposing to the House that we shall borrow the full amount required under this heading. Canadian Governments have always justified public borrowing for

capital account on the principle that expenditure upon enterprises, permanent in their nature, enures to the benefit and advantage of future generations who may therefore fairly be asked to pay interest upon the debt contracted in respect of them. If this theory is correct, and so far as I know it has never been seriously challenged, then we need have no reluctance in borrowing to meet the expense of this war because such borrowing is for the purpose of accomplishing for future generations that which is infinitely more precious than material undertakings, namely, the preservation of our national and individual liberty and the constitutional freedom won by our forefathers during centuries of struggle, enjoyed by us to-day and destined we believe to be ours for all time. It is therefore the intention of the Government to negotiate for a continuance of the arrangement which I have mentioned with the Imperial Government for the purpose of procuring the funds necessary to meet our special war expenditure.

MEANS FOR SUPPLEMENTING REVENUE.

Assuming that this can be accomplished and I have reason to believe it can, we have still to deal with the problem of so increasing our revenue as to meet our current expenditure and at least a part, and I should hope a substantial part, of our capital expenditure. I express this hope because we shall be obliged to borrow heavily for military purposes and our interest charges upon the vast amount which will be required on this and capital accounts will mount up rapidly in terms of millions by way of fixed charge to be provided yearly.

Many suggestions for supplementing our revenue have been put forward by members of the community and in the public press throughout the country, some quite impracticable, others worthy of consideration and adoption, but, speaking generally, wholly lacking in adequacy to meet the situation which the war has so suddenly brought upon us. It is not a question of raising a few millions by stamp taxes, by income tax or other minor means of supplementing revenue. We must endeavour to raise additional revenue to an amount of at least thirty million dollars and when we have accomplished this we shall still be obliged to borrow heavily over the next fourteen months, that is to say between now and March 31st, 1916, to meet expenditure for purposes other than war. We feel that the situation with which we are confronted should be resolutely met

and the finances of the country placed upon a basis which will enable us to go forward prepared to face whatever may lie before us until this war is concluded and concluded as we would wish. In making this statement I am convinced I am expressing the sentiments of the whole Canadian people who will, I know, be eager to make whatever of sacrifice may be required from them during this supreme crisis in the Empire's history.

PROPOSED FISCAL MEASURES.

The chief source and mainstay of our revenue is the tariff and it is to this we must look principally for relief of our present financial condition. Taxation imposed by increased customs duties bears upon all classes because all are consumers and in paying additional taxation each member of the community will feel that he is to that extent contributing to the cost of the war and the defence of his country. As an auxiliary means of raising revenue we shall resort to certain special taxes, the burden of which will fall more particularly upon those members of the community who are best able to sustain it.

To supplement our revenues to the minimum amount regarded by the Government as necessary, I shall later introduce to the House a Bill intituled "The War Revenue Act, 1915".

Its provisions will cover a levy of special and general taxation as follows:—

Special taxes.

Upon all banks to which the Bank Act applies a yearly sum equal to one per cent upon the note circulation to be computed and paid quarterly. From this taxation we shall realize approximately one million dollars.

Upon every trust and loan company incorporated under any legislative authority and carrying on business in Canada a yearly sum equal to one per cent of its gross income derived in Canada payable quarterly.

Upon every insurance corporation, society, association, firm or partnership carrying on the business of insurance, other than life, fraternal benefit and marine insurance, a sum of one per cent upon all net premiums received by it in Canada. Payments to be made quarterly.

The provisions of the Bill will apply to business of the respective banks, trust and loan and insurance companies transacted after January 1, 1915, and the first receipts therefrom will reach Consolidated Revenue Fund about May 1st.

In addition the following taxation will be provided for:—

Upon every cable and telegraph company using telegraphic cables or wires within the jurisdiction of Canada a sum equal to one cent upon each despatch or message originating in Canada for which a charge of fifteen cents or more is imposed. Returns to be made quarterly. The company is authorized to charge the additional toll and collect the same from the person sending the message.

Upon every purchaser of a railway or steamboat ticket in Canada for any point in Canada, Newfoundland, the West Indian colonies or the United States the sum of five cents in respect of a ticket costing over one dollar and not more than five dollars, and five cents for each additional five dollars or fractional part of five dollars which the ticket costs.

Upon every purchaser of a berth in a sleeping car or seat in a parlour car the sum of ten cents in respect of each berth bought and five cents in respect of each seat bought in Canada.

The railway or steamboat company or person selling the railway, sleeping car and parlour car tickets referred to are required to collect the taxes imposed and transmit to the Government.

Upon every person, firm or company carrying passengers by vessel to ports or places other than ports or places in Canada, Newfoundland, the British West Indian Colonies and the United States, in respect of each passenger the sum of one dollar if the amount chargeable for the passage exceeds ten dollars, the sum of three dollars if such amount exceeds thirty dollars, and the sum of five dollars if the amount exceeds sixty dollars. The company is authorized to collect the tax from the passenger and is required to account therefor to the Government.

In addition to the above the following stamp taxes:—

Upon all cheques, receipts to banks by depositors and upon bills of exchange passing through a bank a stamp tax of the value of two cents.

Upon all express and post office money orders a stamp tax of the value of two cents and upon postal notes a stamp tax of one cent.

Upon every letter and postal card posted in Canada a war stamp tax of one cent.

Upon every bill of lading a stamp tax of two cents.

Upon proprietary or patent medicines and perfumery sold in Canada, the retail price for each bottle or package of which is ten cents or less, one cent, and in addition for each ten cents of retail price, one cent.

Upon wine non-sparkling, sold in Canada, for every bottle or package containing one quart or less five cents and for each additional quart five cents.

Upon champagne and sparkling wine——

Some hon. MEMBERS: Hear, hear.

Mr. WHITE: I knew that a proposal to tax its favourite beverage would appeal to the House. Upon champagne and sparkling wine sold in Canada, every bottle containing one pint or less twenty-five cents and for each additional pint twenty-five cents.

The special taxation to which I have referred other than that levied upon banks, trust and loan and insurance companies will come into force at a date to be fixed in the Act. I am making an exception to this in the case of wines and champagnes, the stamp taxation upon which will become effectual at once.

From all these special taxes we expect to raise a sum approximating \$8,000,000 although there is no means of accurate calculation; my own view is from \$8,000,000 to \$10,000,000—I should think more likely \$8,000,000 than \$10,000,000.

It will be observed that I have in these special taxes omitted income tax upon individuals about which there has been some discussion since the outbreak of the war. The matter has had the consideration of the Government and it appears clear to us that such a tax is not expedient, at all events for the present. Under the British North America Act, while the Dominion may impose direct or indirect taxation, the provinces are restricted to the former. At present under legislation existing in certain of the Provinces income is subject to taxation by municipalities and in two instances by the provinces themselves. In other provinces no income tax exists, although in some of these a business tax in lieu thereof is levied upon incorporated companies. In order to bring into force an income tax the Government would be obliged to create machinery for assessment, revision and collection. This would involve a heavy expense as compared with the amount which would be realized. Taxing the income tax of the United

States as a basis it would appear that Canada could hardly expect to derive from a similar tax a sum in excess of two million dollars, from which would have to be deducted the heavy expense connected with its administration. My chief objection, however, to an income tax is the fact that the several Provinces are also likely to be obliged to resort to measures for raising additional revenue and I am of the view that the Dominion should not enter upon the domain to which they are confined to a greater degree than is necessary in the national interest. There is another feature of income tax which makes it unsatisfactory for the purpose of Dominion finance. I refer to the length of period which must elapse before it becomes productive. In Britain, where the tax is the chief source of revenue to the Imperial Government, there is no municipal taxation upon incomes. There is also the important difference that in Britain taxable incomes are derived largely from investments. They have therefore a settled and permanent character, are ascertainable with fair accuracy and are capable of being levied upon at their source. With us this is not the case.

Tariff taxation.

As our main revenue measure we propose with certain exceptions a general horizontal increase in the customs duties upon all goods and commodities imported into or taken out of bonded warehouse in Canada. The list includes all articles hitherto dutiable or on the free list and whether raw material or finished or partly-finished product. The increase we propose is seven and a half per cent ad valorem to the general and intermediate tariffs and five per cent ad valorem to the British Preferential. In the case of iron ore, for reasons I shall give in Committee, the added duty is specific and not ad valorem. In determining the list of exceptions regard has been had to our trade Convention with France and the obligations of our agreement with certain of the British West India Colonies. By reason of the former the increased customs duties will not apply to silk fabrics, velvets, ribbons, embroideries and certain other goods. The exceptions to the tariff increases I have mentioned include wheat, flour, tea, anthracite coal, fish from Newfoundland, salt for curing fish, lines, twines, nets and hooks for the fisheries, reapers, mowers, binders, harvesters, binder-twine, traction ditching machines, sugar, tobacco (dealt with in August), news-printing paper, newspaper printing

presses, typesetting and typecasting machines and a number of other items of lesser consequence. The tariff upon the articles exempted from the increased duties will remain as at present. So far as concerns the duty upon raw materials it is to be pointed out that in accordance with regulations made under the provisions of the Customs Act manufacturers are entitled to a drawback of 99 per cent upon all duties paid upon imported materials used, wrought into or attached to articles manufactured in Canada and exported therefrom. In addition to making the increases mentioned for the purpose of increasing revenue, we propose to alter the existing tariff by adding squid and nicotine sulphate to the free list. Squid is used as bait by the fishermen while nicotine sulphate is a spraying material used by fruit growers for destroying insect pests. These two items have for some time past been noted for change.

The revenue obtained from the proposed tariff changes will be separately shown in the Trade and Navigation returns of the Department of Customs. By this we shall know the precise amount collected through the customs under the provisions of the War Revenue Act.

Upon the basis of importations for the current year and having regard to conditions which I have described as likely to prevail during the coming year we expect to realize from our proposed customs tariff legislation from twenty to twenty-five million dollars.

These, Mr. Speaker, are the proposals of the Government having as their object the raising of additional revenue rendered necessary by the war and our participation therein as a belligerent. We are not unmindful that they will entail a considerable financial burden upon the community. We believe, however, that to adopt measures less comprehensive in their scope would be but to temporize with a situation with which it is our duty to adequately cope. That the people will cheerfully respond to the demands made upon their patriotism goes without saying. At the outbreak of the war it would have been premature to have brought forward measures which to-day have been long foreseen by public opinion to be necessary and indeed inevitable. It would also have been most inopportune and inexpedient by reason of the profound dislocation and disorganization of business caused by the war and the shock to financial stability which the Dominion was so suddenly called upon to withstand.

We believe the tariff increases which we propose will be not only effectual in producing greater revenue, but will be strongly efficacious in stimulating Canadian industry and agriculture and in relieving unemployment. In order to initiate the legislation necessary to give effect to the proposals I have laid before the House I beg to give notice that when the House goes into Committee I shall move the following resolutions:—

SPECIAL TAXES—RESOLUTION.

RESOLVED that it is expedient to provide—

1. That each bank to which the Bank Act applies, exclusive of banks in the course of winding-up, shall pay for Consolidated Revenue Fund quarterly a tax equal to one-fourth of one per cent upon the average amount of the notes of the bank in circulation during the three months preceding, the greatest amount of notes in circulation at any time during each of the three months being the basis of the average, provided, however, that where the greatest amount of notes in circulation exceeds the amount of the paid-up capital then an amount equal to the paid-up capital shall be the basis used in calculating the average;

2. That every loan and trust company incorporated under any legislative authority, including the banks subject to the Quebec Savings Banks Act, 1913, shall pay for Consolidated Revenue Fund a tax of one per cent upon the gross amount of

(a) interest, the property of the company, from loans and investments in Canada and

(b) income, other than interest, on business transacted within Canada,
received by the company on and after the first day of January, 1915;

3. That every insurance company other than life and marine companies and fraternal benefit societies shall pay for Consolidated Revenue Fund a tax of one per cent upon the net premiums received by the company in Canada on and after the first day of January, 1915;

4. That every cable and telegraph company shall pay for Consolidated Revenue Fund a sum equal to one cent upon each despatch or message originating at the offices of the company in Canada and transmitted thence over the company's lines for which a charge of fifteen cents or more was imposed, the com-

pany having the right to charge the one cent to and collect the same from the person paying or liable to pay the regular charges for the transmission of the despatch or message;

5. That every purchaser of

(a) a railway passenger ticket or right to transportation over a railway to any place in or outside of Canada,

(b) a steamboat passenger ticket or right to transportation by steamboat between ports or places in Canada or from a port or place in Canada to a port or place in Newfoundland, the West Indian Colonies or the United States,

(c) a ticket or right entitling the passenger to transportation over a railway and by steamboat to a port or place in Canada, Newfoundland, the West Indian Colonies or the United States, whether such transportation be by railway and steamboat or by steamboat and railway or by railway, steamboat and railway, shall pay for Consolidated Revenue Fund, in addition to the regular charge for the ticket or right, in respect of a ticket or right costing—

(i) over one dollar and not more than five dollars—five cents.

(ii) over five dollars—for each five dollars and in addition for any fractional part of five dollars—five cents;

6. That every purchaser of a berth in a sleeping car or seat in a parlour car shall, in addition to the regular charge for the berth or seat, pay for Consolidated Revenue Fund—

(a) ten cents in respect of each berth bought;

(b) five cents in respect of each seat bought;

7. That every company carrying passengers by vessel from any port or place in Canada to any port or place outside of Canada, except Newfoundland, the West Indian Colonies and the United States, shall pay for Consolidated Revenue Fund in respect of each passenger carried—

(a) the sum of one dollar if the amount chargeable for the passage exceeds ten dollars,

(b) the sum of three dollars if the amount chargeable for the passage exceeds thirty dollars,

(c) the sum of five dollars if the amount chargeable for the passage exceeds sixty dollars,

and that the company may charge to the passenger and may collect from him the sum so payable;

8. That no person shall issue a cheque payable at or by a bank and no person shall negotiate a bill of exchange through a bank or deliver a bill of exchange to a bank for collection unless he affixes thereto a stamp of the value of two cents; that a cheque or other bill of exchange made or drawn out of Canada in the possession of a bank in Canada shall before payment or presentment for payment have affixed thereto a stamp of the value of two cents, and the value of the stamp shall be chargeable to the person entitled to the proceeds of the cheque or bill;

9. That every customer of a bank shall affix to a receipt for money paid to him by the bank and chargeable against a deposit to his credit in the bank a stamp of the value of two cents;

10. That every express company carrying on business in Canada shall, before the issue of a money order or traveller's cheque, affix thereto a stamp of the value of two cents chargeable to the purchaser of the order or cheque or to the payee thereof;

11. That no money order or postal note shall be issued under the provisions of the Post Office Act until there is affixed thereto a postage stamp of the value of two cents and one cent respectively, to be paid for by the purchaser of the order or postal note, and upon such stamp there may be printed or impressed the words "war tax";

12. That on every letter and post card for transmission by post a tax of one cent shall be levied and collected, such tax to be payable by affixing to the letter or card a postage stamp of that denomination, upon which there may be printed or impressed the words "war tax";

13. That every person by whom goods are received—

(a) to be exported or carried coastwise, or

(b) to be transported by railway shall attach to the bill of lading or other evidence of receipt a stamp to be furnished by the shipper or consignor of the value of two cents;

14. That every bottle or package containing—

(a) a proprietary or patent medicine

(b) perfumery

(c) wine, non-sparkling

- (d) champagne and sparkling wine
shall be subject to the payment of the
stamp duties hereinafter set out:—

Article.	Stamp of the Value of
(a) A proprietary or patent medicine,	
(b) Perfumery,	
the retail price for each bottle or package thereof being—	
Ten cents or less	One cent
More than ten cents—	
For each ten cents and in addition for any fractional part of ten cents	One cent
(c) Wine, non-sparkling, each bottle or package containing—	
One quart or less	Five cents
A quantity greater than one quart—	
For each quart and in addition for any fractional part of a quart	Five cents
(d) Champagne and sparkling wine, each bottle or package containing—	
One pint or less	25 cents
A quantity greater than one pint—	
For each pint and in addition for any fractional part of a pint	25 cents;

15. That the provisions of any Act founded on these Resolutions, in so far as such provisions relate to wine, non-sparkling, champagne and sparkling wine, shall be deemed to have come into force on the twelfth day of February, 1915, and to have applied to all such articles

(a) imported or taken out of customs warehouse for consumption on and after that day and to have also applied to such articles previously imported for which no customs entry was made before that day,

(b) owned by or in the possession of the manufacturer or producer thereof,

(c) owned by or in the possession of the whole-sale or retail dealer therein.

Customs Tariff.

1. Resolved—that it is expedient to amend Schedule A of The Customs Tariff, 1907, and to strike thereout tariff item

329 and the enumeration of goods set opposite said item, and to provide that the following items, enumerations and rates of duties, if any, be inserted in said Schedule A:—

Tariff Items.	—	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
118a..	Squid.....	Free.	Free.	Free.
209b..	Nicotine sulphate.....	Free.	Free.	Free.
329...	Ores of metals, n.o.p.....	Free.	Free.	Free.
329a..	Iron ore.....per ton	6 cents.	8 cents.	8 cents.

2. Resolved,—that it is expedient to amend The Customs Tariff, 1907, by providing that:

(1) There shall, in addition to the duties of Customs otherwise established by Schedule A to The Customs Tariff, 1907, and Orders in Council amending Schedule A, be levied, collected and paid upon all goods enumerated, or referred to as not enumerated, in Schedule A, except as hereinafter provided, when imported into Canada or taken out of warehouse for consumption therein, the several rates of duties of Customs herein specified:

British Preferential Tariff.	Intermediate Tariff.	General Tariff.
5 p.c.	7½ p.c.	7½ p.c.

(2) There shall be levied, collected and paid upon all goods enumerated as being free of duty in Schedule A and in Orders in Council amending Schedule A, except as hereinafter provided, when imported into Canada or taken out of warehouse for consumption therein, the several rates or duties of Customs herein specified:

British Preferential Tariff.	Intermediate Tariff.	General Tariff
5 p.c.	7½ p.c.	7½ p.c.

Provided, however, that the following goods shall be exempt from the foregoing provisions:

(a) goods admitted into Canada free of Customs duty under the provisions of sections 8 and 9 of The Customs Tariff, 1907;

(b) goods enumerated in Schedule C of the French Convention Act, 1908;

(c) goods imported to be used in the manufacture of mowing machines, harvesters, self-binding or without binders, binding attachments, reapers, and complete parts thereof, under regulations by the Minister of Customs;

(d) goods imported to be used in the manufacture of binder twine for harvest binders, under regulations by the Minister of Customs;

(e) articles imported to be used in the manufacture of goods enumerated in Tariff Item 682 in Schedule A, under regulations by the Minister of Customs;

(f) anthracite coal and anthracite coal dust;

(g) bacteriological products or serum for subcutaneous injections;

(h) vaccine and ivory vaccine points;

(i) pressed felt, elastic webbing and hollow blocks of wood imported to be used in the manufacture of artificial limbs;

(j) steel imported to be used in manufacturing rough unfinished parts of rifles, when such parts are to be used in rifles to be made for the Government of Canada;

(k) fabrics of which silk is the component material of chief value imported to be used in the manufacture of neckties;

(l) goods enumerated in the following Tariff items in Schedule A: 1, 2, 3, 19, 20, 20a, 21, 22, 23, 28a, 29a, 39b, 40, 55, 60, 61, 66, 77a, 101a, 118a, 129, 132, 134, 135, 142, 143, 144, 145, 153, 164, 169, 171, 172, 173, 174, 175, 176, 178a, 180a, 184, 196, 201, 209b, 329, 329a, 348a, 352a, 359, 360, 369, 373, 441, 443, 445, 445a, 446a, 464, 466, 466a, 470, 483, 544, 544a, 576, 595, 596, 676, 682, 688, 689, 689a, 690, 690a, 691, 692, 692a, 693, 694, 695a, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, and 709.

Provided, further, that the duties of Customs collected and paid under the provisions of this section shall not be subject to drawback under Schedule B.

3. RESOLVED that any enactment founded on the foregoing resolutions shall be deemed to have come into force on the twelfth day of February, 1915, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

Mr. GERMAN: Are the materials for the manufacture of binder twine subject to an increased duty, or are they left as now?

Mr. WHITE: Binder twine is free and the material of which it is made is free.

Mr. A. K. MACLEAN: Will the minister please state the effect of these changes upon sugar?

Mr. MACDONALD: And upon tea.

Mr. WHITE: Tea, sugar and tobacco are left precisely as they are to-day.

Mr. MACDONALD: What is the article 682 of schedule A. referred to in section (e) of resolution 2?

Mr. WHITE: Fish-hooks for deep-sea or lake fishing, and a line of articles of cognate character.

Mr. MACDONALD: As to section (f), anthracite coal, that is free now, is it not?

Mr. WHITE: It is free now and remains free; the additional duty is imposed upon bituminous.

CANADIAN ECONOMIC CONDITIONS.

In conclusion it may be fitting that I should say something as to general economic conditions actual and prospective. On the whole, having regard to the vast dislocation of finance and commerce occasioned by the war, the Dominion has withstood the shock exceedingly well. When we consider the immense distance we have traversed since August last in improved tone, confidence and commercial and financial outlook there is abundant cause for gratification and thankfulness. Readjustment has necessarily been a painful process for many of our industries but it must be considered as having proceeded and as proceed-

ing satisfactorily. The consequences of the interruption of our borrowings abroad for purposes to which I have alluded in the course of my remarks have been shown in a slackening of activity in many trades. On the other hand production in various lines has been greatly quickened and stimulated by orders on a very large scale for clothing, munitions and other equipment and material placed in Canada not only by the Canadian Government, but by Britain and her Allies as well. Expenditure for supplies of this character must appreciably assist in counteracting the adverse factors of which I have spoken. It will also exert a most favourable influence upon the important problem of international exchange with which is involved the question of gold export. It is apparent that throughout the Dominion strong efforts have been and will continue to be made to increase production. The enhanced prices of grain and other products will be a great inducement to exceptional exertion along this line. The returns as to fall ploughing and general condition of land are most favourable for a record crop production next year. The intervening period we shall bridge successfully in proportion to the courage and energy displayed by our citizens in their several callings. During wartime it is the duty as well as the interest of all to multiply effort, to increase to the utmost their production, in order that wastage may be repaired and the nation kept strong for the struggle. Our farmers, tradesmen, manufacturers will no doubt more keenly study their problems and expand wherever possible the scope of their enterprise.

While one hesitates to attempt a forecast in conditions so variable and subject to sudden and violent change it would appear that accumulations of funds with accompanying easier interest rates and increasing confidence on the part of investors will result in a gradual resumption of the sale abroad and at home of securities for needed expenditures on the part of our Provinces, municipalities, railways and industries. Such expenditures, even on a greatly reduced scale, together with war outlays in Canada should go a long way towards the restoration of such of our trade and industry as have suffered from the effects of the war. Above all will our commercial improvement and for that matter commercial improvement everywhere, follow upon the continuing success of the Allies. With such continuance legitimate business throughout the world must improve during the remaining period of the war. Should

the progress of that success be interrupted international trade and commerce must receive a further setback. To put it another way: if the exchanges of the world were in operation as before the war any notable success on the part of the Allies would cause securities everywhere to rise; with any notable success on the part of the enemy they would fall. Happily we have no cause to be apprehensive as to the continued favourable progress and the certain ultimate triumph of the arms of the Empire and her Allies. So far as any war can be said to go well we have every reason to make the statement as to this the most terrible or all wars. As to its duration it would be idle to hazard even a guess. But one thing is certain that be it long or be it short the Empire and every part of it is determined that its conclusion must be upon such terms that the ensuing peace will be not a transient truce, not an armed and arming armistice, but a real and lasting settlement with securities amply guaranteeing the world against a recrudescence of the militarist ambition, the aggrandizing spirit, the greed of possession, the lust of conquest, which have brought about almost a subversion of our civilization.

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BUDGET SPEECH

DELIVERED BY

William
HON. SIR THOMAS WHITE, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, FEBRUARY 15

1916



OTTAWA

PRINTED BY J. DE L. TACHÉ, PRINTER TO THE KING'S MOST EXCELLENT MAJESTY.

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BUDGET SPEECH

DELIVERED BY

HON. SIR THOMAS WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, FEBRUARY 15, 1916

WAYS AND MEANS—THE BUDGET.

Sir THOMAS WHITE (Minister of Finance) moved:—

That the Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: The Budget of February last, by a comprehensive scheme of general and special taxation, aimed to increase the revenues of the Dominion for the present fiscal year to an aggregate of \$150,000,000. I am happy to be able to inform the House that the expectations then formed have been realized in a degree beyond our most sanguine hopes, and that for the present fiscal year ending on March 31st next we confidently anticipate a total revenue of at least \$170,000,000, that is to say, \$20,000,000 in excess of our estimate. From the date of the introduction of the Budget the sharp monthly declines which had been experienced in our customs duties were at once arrested, and our revenues until August restored to the basis of the corresponding months of the year preceding the outbreak of the war. Since August a marked and continually progressive increase has characterized our monthly revenues as compared with those of the corresponding period of the previous year, when the profound derangement of finance and commerce resulting from the war was exercising so serious an effect upon our imports and general business. From the beginning of the present fiscal year up to February 10th the total revenue of the Dominion from all sources has amounted to \$145,000,000, an

increase of \$31,000,000 over the same period of the preceding year. Of this revenue the sum of \$82,000,000 has been derived from duties of customs; \$19,000,000 from excise; \$14,000,000 from post office receipts; and about \$3,000,000 from the special taxes other than postal levied under The Special War Revenue Act of last year. Of the amount of customs duties mentioned, the sum of \$19,000,000 was derived from the increased duties levied under The Customs War Revenue Act.

CIVIL EXPENDITURE 1915-16.

In the Budget of last year I stated it to be the policy of the Government that new works would not be undertaken until the financial outlook became clearer, and we should have in view the source of funds from which to meet the expenditure. This policy has been rigidly followed. Only works actually under contract have been proceeded with and civil expenditure has been kept within close bounds. As a result, our outlays for the year for purposes other than those of the war have been much less than the estimate of the Budget. Up to the present our expenditure on ordinary account has been in round figures \$93,500,000, a decrease of over \$13,000,000 as compared with the same period of the previous year. On capital account our expenditures—principally upon such works as the National Transcontinental Railway, the Quebec bridge, Halifax terminals, improvements to the St. Lawrence Ship Channel, the Welland Ship Canal, and the Hudson Bay Railway—have amounted to \$30,500,000, a decrease of \$7,000,000 over the corresponding period of the previous year.

Taking into account our increased revenue on the one hand and our decreased ordinary and capital expenditure on the other, it will be seen that, apart from the cost of the war, there has been an improvement in the financial position of the Dominion for the period since April last of no less a sum than \$51,000,000. The improvement for the entire fiscal year will probably reach \$57,000,000.

WAR EXPENDITURE 1915-16.

During the last session, Parliament passed a War Appropriation Act for \$100,000,000. This was the second Act of the kind, the first having been passed at the special session following upon the outbreak of the war and providing for an amount of \$50,000,000. The Prime Minister will introduce at this session a further measure providing for an additional sum of at least \$250,000,000. The number of our troops having grown by successive steps to 50,000; to 100,000; to 250,000,

with a present authorized establishment of 500,000, our war expenditure has correspondingly increased and has now reached very large figures. From the outbreak of war to the end of January, 1916, it has amounted to \$158,000,000.

From what I have said it will be gathered that the general position of our finances has been that while our revenues have been substantially increasing and our ordinary and capital expenditures materially declining, our war expenditure has been mounting rapidly. Our problem has therefore been one of raising money to fill the gap between revenue and total outlay, and I turn now to describe the financial operations of the year.

LOAN ISSUES 1915-16.

We entered upon the present fiscal year with £3,000,000 of Treasury Bills maturing in June. We had also a bank indebtedness of \$5,000,000. These Treasury Bills were retired upon maturity and our bank indebtedness has been paid off. The Dominion Government has no outstanding Treasury Bills in the London market and is not overdrawn with any financial institution. On the contrary, we have, at the present time, very large balances to our credit both at home and abroad. In fact, the Government is financed until the beginning of next summer.

Our loan transactions for the year have been as follows:—

In March last we made an issue in London of £5,000,000 of four and one-half per cent debenture stock maturing 1920-25. The issue price was 99½ and the offering was over-subscribed.

In August we made an issue in New York of \$25,000,000 of 5 per cent notes maturing August 1, 1916, and of \$20,000,000 of 5 per cent notes maturing August 1, 1917, or a total issue of \$45,000,000. These notes were sold at the price of par and 99½ respectively, less a commission of $\frac{3}{4}$ of 1 per cent, and are convertible into 5 per cent bonds of the Dominion of Canada, maturing August 1, 1935. The purpose of this loan was to provide for expenditure upon public undertakings under contract and other capital outlays throughout the Dominion.

In November we offered to the Canadian public a domestic loan of \$50,000,000 of 5 per cent ten-year bonds, the issue price being 97½, payable in instalments extending over the period from November, 1915, to May 1, 1916. This issue, as is well known to the House, was most enthusiastically and patriotically received by the people of Canada, with the result that it was more than doubly subscribed. In view of this response and the earnest desire on the part of private investors and financial and other institutions who had subscribed for large amounts to participate in the loan, the authorized amount was doubled and an allotment made of \$100,000,000 of these securities. It

chanced that at the time of this issue the Imperial Government, owing to adverse sterling exchange conditions which had for some time prevailed, were at a serious disadvantage in making payment for munition and other orders placed in Canada. To assist in overcoming the difficulty and to facilitate further purchases in Canada the Government placed the sum of \$50,000,000 from the proceeds of the domestic War Loan to the credit of the Imperial Treasury. This credit is now being availed of for the purpose mentioned.

In my last Budget speech I explained to the House the arrangement made by the Government for advances by the Imperial Treasury towards our war expenditure. The total amount of such advances to date has been £27,000,000. It will be gratifying to the House to learn that since the beginning of the period of serious decline in sterling exchange from June onwards, the Government has been able to finance all our war expenditures in Canada without assistance from the Imperial Treasury. Had we been obliged, during the period in question, to bring funds for this purpose from London to Canada, we should not only have made a heavy loss on the transactions but would have been in direct competition with the Imperial Treasury in selling sterling exchange for the purpose of meeting their obligations maturing due upon orders for munitions and supplies placed on this side of the Atlantic. By reason of our improving revenues and our borrowings in the United States and Canada, it has not been necessary for us to negotiate any sterling bills since June of last year.

OUTCOME OF 1915-16.

As closely as we can estimate, the financial outcome of the present fiscal year will be as follows:—

Revenue from all sources	\$170,000,000
Ordinary expenditure	125,000,000
<hr/>	
Surplus	\$ 45,000,000

As the proceeds of the American loan, which was specially made to meet capital expenditure, have been more than sufficient for the purpose (the expected expenditure under this heading being \$40,000,000) it has been possible for the Government to devote its entire surplus, estimated at \$45,000,000, as stated, in payment of the principal of our war expenditure. The House of course understands that in our ordinary expenditure is embraced the entire interest charge upon our public debt, which includes our war borrowings. Ordinary expenditure also includes pensions.

Briefly, then, the result of the present year's transactions as to revenue and expenditure may be summarized as follows. We borrowed in the United States the amount required for our capital expenditures. Our revenues will exceed our ordinary expenditure by \$45,000,000. This \$45,000,000 we devote to the payment of our war expenditure. By the end of the year the net national debt will stand at about \$580,000,000, an increase of \$131,000,000 during the year.

ECONOMIC CONDITIONS 1915-1916.

Turning from the financial transactions and position of the Government to the general affairs of the country, we find much cause for gratification and thankfulness. Business has adjusted itself in a remarkable way to the altered conditions. We have been blessed with a most bountiful harvest, the greatest by far in the history of the Dominion and this, coupled with the demand for war material, supplies and munitions, has given such stimulation and impetus to trade and industry that, notwithstanding the war, we are experiencing a high degree of prosperity. Probably the most outstanding feature of our national economy during the year has been the extraordinary change which has taken place in our international trade balance. For the fiscal year 1912-13 it was adverse to the extent of over \$300,000,000; in 1913-14 of \$180,000,000; and in 1914-15 of \$36,000,000. For the present fiscal year it seems certain that we shall have a favourable trade balance in the neighbourhood of \$200,000,000. That so great a change has been effected in one brief year is a striking tribute at once to the marvellous productivity of the Dominion and to the capability, industry, and thrift of our people. Our total trade for the year will aggregate approximately \$1,200,000,000, an increase of nearly \$200,000,000 in exports, and a slight reduction in imports. This is the largest aggregate trade in the history of the Dominion.

On the financial side stability continues to be maintained. The statements of our great monetary institutions disclose a position of growing strength. The savings of the public are rapidly increasing in volume, thus ensuring adequate credits for the commercial, industrial and agricultural needs of the community. Although, since the outbreak of the war, borrowing for our capital requirements has been possible in Great Britain only on a greatly reduced scale, our provinces, municipalities, railway, industrial and other corporations have resorted with a marked degree of success to the investment markets of the United States, where a strong demand exists for their securities.

While these features of our economy are significant and encouraging in the extreme, we must continually keep before us the salient fact that we are participants in a war, the greatest in all history, still being waged on an increasing scale, with undiminished vigour and with no prospect of early termination. Indeed, all signs seem rather to point to prolongation until the issues shall have been determined by superior resources on the one hand and exhaustion with collapse on the other. To win the war with the decisiveness which will ensure lasting peace, the Empire will require to put forth its full collective power in men and in money.

From this viewpoint it is our true policy to augment our financial strength by multiplying our productive exertions and by exercising rigid economy which reduces to the minimum all expenditures upon luxuries and non-essentials. Only in this way shall we be able to make good the loss caused by the withdrawal of so many of our workers from industrial activities, repair the wastage of the war, and find the funds for its continuance. It cannot be too frequently or too earnestly impressed upon our people that the heaviest burdens of the conflict still lie before us, and that industry and thrift are, for those who remain at home, supreme patriotic duties upon whose faithful fulfillment our success and consequently our national safety may ultimately depend.

Apart altogether from these higher grounds, it is to be pointed out that in so far as our present prosperity is based upon abnormal prices for our produce and upon the production of war material, it is precarious and transient and dependent upon the continuance of the war and its conditions. On ordinary business grounds alone, the prudent husbanding of resources and the wise conservation of profits are dictated by the plainest considerations of practical wisdom and good sense. It is in the spirit of these remarks that I now approach the consideration of our financial estimates and programme for the coming year.

FISCAL YEAR 1916-17.

It is well to make it perfectly clear at the outset that notwithstanding the satisfactory increase in revenue and our diminishing civil expenditures, the burden of financial administration will be much heavier in the coming than it has been in the past year. The last War Appropriation Act authorized an expenditure of \$100,000,000. The War Appropriation Act of this session will authorize an expenditure of \$250,000,000, all of which, and possibly more, will be required for the raising, equipping, transporting and maintenance of our rapidly increasing forces. The all-important question, therefore, to be con-

sidered is "How shall we provide the money?" There are only two sources from which it can legitimately come, namely, from revenue and from borrowing. The Government is resolutely determined to maintain the standard of our currency and not to resort to the issue of unsecured paper money, which is merely a forced loan without interest, leading to depreciation and the gravest economic evils which can afflict a nation. In this connection it will be of interest to the House to know that our gold reserves held against Dominion notes amounted to \$115,147,985, or 64.2 per cent of the outstanding circulation.

As regards our ordinary and capital expenditure, we shall endeavour to continue to effect all possible reductions. Our estimates contain numerous items hitherto adopted by Parliament, representing works with which it is not our intention to proceed during the period of the war. The policy adopted from its outbreak, which has given such excellent results to date, of proceeding only with works actually under contract, will continue to guide us. Further, should financial exigency so require, we shall not hesitate to terminate contracts and leave works in an unfinished condition, notwithstanding the immediate and prospective loss and damages involved. I do not, however, think that such a course will be necessary.

So far as we can estimate, our ordinary expenditure for the coming year will amount to about \$135,000,000 as compared with \$125,000,000 for this year and \$135,000,000 for last year. Our capital estimates are \$30,000,000 as compared with \$46,000,000 for this year. Adding the ordinary and capital expenditure we look forward to a total civil expenditure for the year of \$160,000,000 as compared with \$165,000,000 for the present year and \$157,000,000 for last year. It must be borne in mind that included in our ordinary expenditure for the coming year is the sum of \$36,000,000 representing charges upon our public debt, of which sum no less than \$20,000,000 represents increased interest due to our war borrowings; and a further sum of \$2,000,000 for pensions payable on account of the war. In making a comparison between our ordinary expenditure for the coming year and that of preceding years, these important items aggregating an increase due to the war of \$22,000,000 must be taken into account.

Should it seem expedient, we shall feel justified in borrowing, as we did during the present year, for our capital expenditure. Assuming that this is accomplished, we should have on the basis of present revenue a surplus of \$35,000,000 to apply upon our war expenditures. This would leave the sum of \$215,000,000 additional to be borrowed for the war. Adding to this our proposed borrowing for capital expenditure, we are confronted with an increase of public debt during the coming year of nearly \$250,000,000.

FINANCIAL POLICY IN WAR TIME.

The question has often been discussed as to the true financial policy of a nation in time of war. Some have strongly favoured the policy of large borrowing; others have insisted that the cost of a war should be defrayed by a nation at the time it is being waged. Obviously, in a war such as this, the latter course would be impossible. The truth seems to be that it is not practicable for all nations to adopt the same policy or for any nation the same policy at all times. The circumstances and conditions of individual nations must be taken into consideration. If a country has much accumulated wealth, a policy of drastic taxation would appear to be advisable. With a country such as ours, rich in potential resources, certain of future development and great expansion of production and population but without at present large accumulations of wealth, it would appear to me that we are justified in placing upon posterity the greater portion of the financial burden of this war, waged as it is in the interests of human freedom, and for their benefit in equal if not in greater degree than for our own. Canada in future years of peace, with the prosperity which will be her heritage from the development of unbounded resources, will be well able to meet the interest and sinking fund charges upon such debt as we shall be obliged to incur in defence of our country and its liberties. From an example the House will more readily see what I have in mind. Let us assume that our indebtedness on account of this war will reach \$500,000,000. At 5 per cent the annual interest will amount to \$25,000,000. This sum with a substantial amount added yearly for a sinking fund could in my opinion be met, provided strict economy be practised by Governments, from the future revenues of the Dominion. In national finance, if debts can be funded, the practical question is that of payment of annual interest. But while this is so, the fact must not be overlooked that debt is debt, a financial obligation and burden upon the body politic, whether owed to investors at home or abroad. In making these observations it is my earnest desire that neither the House nor the country will gather the impression that we underrate the magnitude of the liabilities which we are assuming or the gravity of the financial considerations involved in our participation in this great struggle. We believe, however, that the people of Canada desire the Government to put forward the maximum of effort in the cause, and that they will, both for the present and the future, be prepared to cheerfully bear whatever burdens may be entailed upon them in consequence.

While I have stated, as I think correctly, what the general policy of Canada should be so far as relates to our war finances,

I do not desire to be understood as saying that we should not endeavour to raise by taxation a considerable part of our war expenditure. On the contrary, it is my view that it is our clear national duty and supremely in the interest of our credit to provide what we reasonably can without impairing our economic strength. To attempt more would mean too drastic taxation upon a community whose trade and commerce have been seriously interrupted and affected by war conditions, and unduly heavy burdens upon a people already contributing generously of their substance to funds and organizations whose patriotic object is the comfort and well-being of our soldiers and the dependents they have left behind. In connection with taxation, there is another feature which we must also bear in mind, namely, that Canada is a country inviting immigration, and we must be careful not to create the impression that it is likely to become a country of heavy individual taxation. In this connection I think it opportune to state on behalf of the Government and as enunciating its settled policy, that in providing our war expenditure resort will not be had to taxation upon the farms, personal effects or incomes of those engaged in our great basic industry of agriculture.

TAXATION AND LOANS, 1916-17.

With these preliminary observations as to general financial policy applicable at this time, I approach the consideration of our taxation proposals and financial program for the coming year. By the last Budget we increased (with certain exceptions) the general and intermediate tariff rates by seven and a half per cent, and the preferential rates by five per cent. We also imposed special taxes upon banks, insurance, loan and trust companies, and upon cheques, money orders, telegrams, railroad, sleeping-car and steamship tickets, letters and postal cards, and upon wines and certain other commodities. At the time this broad measure of taxation was imposed, many were of opinion that the war might not last through the year, and the measures then adopted were regarded as adequate to meet the needs of the military establishment we had then in view, viz., one hundred thousand men. With the altered situation which I have before mentioned, in which we have recruited troops to the number of 250,000, and are aiming to increase these to 500,000, it is manifest that we must devise further ways and means of meeting the expenditure necessary to organize and equip the new contingents and maintain our entire forces.

TARIFF PROPOSALS.

As to taxation measures we have no tariff proposals to offer except the following. We propose to alter the duty payable on

apples to 90 cents per barrel. We regard this duty as indispensably necessary for the preservation of the apple growing industry of Canada and particularly that of British Columbia, which has been most seriously affected since the outbreak of the war. We also propose a duty of one-half cent a gallon on oils, petroleum, not including crude petroleum imported to be refined, or illuminating or lubricating oils, .8235 specific gravity or heavier at 60 degrees temperature. This change will include heavy distillates that are now assessed duty at two and one-half cents a gallon and which have been chiefly imported into the prairie provinces. We expect this item will yield a revenue of about \$500,000. The goods covered by the tariff proposals will be exempt from the provisions of The Customs Tariff War Revenue Act, 1915.

BUSINESS PROFITS TAX.

For the reasons which I gave in my last Budget Speech we regard it as inexpedient to consider, for the present at least, the imposition of a direct income tax. We find, therefore, the area of taxation considerably restricted. In estimating further sources we have carefully considered the question of what class or classes can best bear the burden of further special taxation, because it is an axiom of taxation that the burden should fall upon those in the community best able to bear it. Now, Mr. Speaker, there are in time of war many businesses and industries, which for one reason or another are able to maintain profits above the average return to capital in time of peace. There are others whose profits arise directly from the manufacture of munitions or the furnishing of supplies in connection with the war itself and are in some instances of abnormal character. It has appeared to the Government that persons, firms, and corporations whose profits have been such might well be called upon to contribute a share to the carrying on of the war. Their position being advantageous as compared with less fortunate fellow-citizens, it is just that a portion of their advantage should be appropriated to the benefit of the State. In this connection we have prepared a measure which I propose to introduce to the House, providing for the taxation of profits in excess of a certain percentage upon capital engaged in all classes of business and industry, including railway, steamship, public-utility, financial, commercial, milling, mining, and industrial enterprises. We have fixed upon a rate of profit in the case of corporations, individuals and firms which may be taken as a fair annual return in normal times. We propose to impose taxation to the extent of one-fourth of the amount of net profits upon capital derived since the outbreak of the war in excess of this fixed rate. To particularize, our proposal is as follows:—

Upon all incorporated companies carrying on business in Canada, excepting life insurance companies, which are otherwise dealt with, and those engaged in agriculture, we propose to impose a tax of one-fourth of the net profits for every accounting period ending since the outbreak of the war in excess of seven per cent upon paid-up capital. Provision is made for determining the profits and paid-up capital made and employed in Canada in the case of non-Canadian companies carrying on business in Canada and subject to the tax.

Upon individuals, firms, partnerships, and associations, we propose a tax of one-fourth of the net profits for every accounting period ending since the outbreak of the war in excess of ten per cent upon the capital engaged in their business.

The taxation will not apply to persons, firms or companies whose capital is less than \$50,000. This limitation will not, however, apply to those engaged in manufacturing or dealing in munitions and material of war and supplies for war purposes. The duration of the measure will be limited to August 3, 1917. Banks and companies which are already taxed under the provisions of The Special War Revenue Act, 1915, shall, during the period of the measure now proposed, be exempt from taxation under its provisions to the extent to which they are taxed under the said Special War Revenue Act. The yearly taxation under this measure will be payable on or before the first day of November in each year. The first payment will therefore not be called for until next November.

It will be observed that incorporated companies are taxed upon a higher basis than individuals and partnerships. The reason for this is that capital in the case of joint stock companies frequently represents intangible assets or capitalized earning power or goodwill. We found it a practical impossibility to go behind the capitalization of companies and endeavour to ascertain the precise cash value of their assets as can be done in the case of individuals or partnerships. The cases of railway, public franchise, and so-called holding companies, mining and other corporations, illustrate the difficulty to which I am referring. In addition there is the further fact that shareholders have purchased their shares and receive their dividends upon the basis of issued capital stock.

Provision is to be made for preventing evasion of taxation by further stock issues or the incorporation of companies for the purposes of taking over existing businesses. Provision is also to be made for preventing the postponement of the taking of profits on orders and contracts wholly or partially performed.

I am unable to give the House an accurate estimate of what this measure of taxation will realize, but we believe its results will be very substantial—probably as much as twenty-five or thirty million dollars for the period mentioned. In

committee I shall be pleased to give more detailed information. It is to be borne in mind in connection with the subject of war profits, which have been much discussed, that many of our industrial companies were obliged during the period immediately succeeding the outbreak of the war to pass their preferred and other dividends owing to the general depression which then prevailed.

From my statement it will be gathered that what we propose is a very comprehensive measure of taxation, not confined to those who have since the outbreak of war made more than their usual profits, but applying to all businesses, whether in existence before the war or established after its outbreak, whose profits exceed the percentages which I have mentioned.

No doubt in the administration of this legislation some anomalies will arise, but these are inseparable from any comprehensive scheme of taxation upon a numerous class of the community. I am confident that those upon whom the burden will fall will gladly make the contribution which it calls for to the cause for which we are contending.

These, Mr. Speaker, are the taxation proposals which we have to submit for the consideration of the House at this time, and in connection with them I beg leave to lay upon the table the following resolutions:—

1. Resolved that it is expedient to amend Schedule A to the Customs Tariff, 1907, and to strike thereout tariff items 92 and 267, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:—

Tariff Items.	British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
92. Apples per barrel	60 cents.	90 cents.	90 cents.
267. Oils, petroleum, (not including crude petroleum imported to be refined or illuminating or lubri- cating oils) '8235 specific gra- vity or heavier at 60 degrees temperature. per gallon	$\frac{1}{3}$ cent.	$\frac{1}{2}$ cent.	$\frac{1}{2}$ cent.
267 a. Crude petroleum in its natural state, '7900 specific gravity or heavier at 60 degrees tem- perature, when imported by oil refiners to be refined in their own factories.....	5 p. c.	$7\frac{1}{2}$ p. c.	$7\frac{1}{2}$ p. c.

Provided, however, that the goods hereinbefore enumerated shall be exempt from the rates of duties of customs specified in section 3 of The Customs Tariff War Revenue Act, 1915.

2. Resolved that any enactment founded on the foregoing resolutions shall be deemed to have come into force on the 16th day of

February, 1916, and to have applied to all goods mentioned in the foregoing resolutions, imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

Resolved, That it is expedient to provide

1. That, in the following resolution, "Minister" means the Minister of Finance of Canada; "non-Canadian company" means an incorporated company having its head office or principal place of business outside Canada but having assets in or carrying on business in Canada; "person" means any individual or person and any partnership, syndicate, trust, association or other body and any body corporate, and the heirs, executors, administrators, curators and assigns or other legal representatives of such person, according to the law of that part of Canada to which the context extends.

2. That there shall be charged, levied and paid to His Majesty a tax of twenty-five per centum of the amount by which the profits arising from any trade or business subject to the tax in every accounting period ending after the fourth day of August, one thousand nine hundred and fourteen, exceeded, in the case of incorporated companies, seven per centum, and, in the case of all other persons, ten per centum, upon the capital employed in such trade or business.

Provided, however, that the amount paid or payable by any person under the provisions of Part one of The Special War Revenue Act, 1915, shall be deducted from the amount which such person would otherwise be liable to pay, and the Minister shall have power to determine any questions that may arise in consequence of the difference of the several periods for which the taxes under the said Act and those proposed herein are payable.

3. That the accounting period shall be taken to be the period for which the accounts of the trade or business have been made up, but where the accounts of the trade or business have not been made up for any definite period or for the period for which they have been usually made up, or if a year or more has elapsed without the accounts being made up, the accounting period shall be taken to be such period and ending on such a date as the Minister may determine.

4. That the trades and businesses to which the tax shall apply are all trades and businesses, including the business of transportation, (whether continuously carried on or not) of any description carried on, or partly carried on, in Canada, except:—

- (a) any trade or business other than a trade or business which, or any portion of which, is the manufacturing or dealing in munitions of war or in materials or supplies of any kind for war purposes, the capital employed in which is less than fifty thousand dollars;
- (b) the business of Life Insurance;
- (c) the business of farming and stock raising.

COMPUTATION OF PROFITS.

5. That the profits shall be taken to be the net profits arising in the accounting period.

- (2) The profits of a non-Canadian company shall be such proportion of the net profits as shall bear the same proportion to the total amount of its net profits as the capital of the company as defined herein bears to the total amount paid up upon its capital stock.
- (3) No deductions from gross profits for depreciation or for any expenditure of a capital nature for renewals, or for the development of a trade or business, or otherwise in respect of the trade or business, shall be allowed except such amount as appears to the Minister to be reasonable and to be properly attributable to the accounting period.

- (4) Any deductions made from the gross profits for the remuneration of directors, managers and persons concerned in the management of the trade or business shall not, unless the Minister, owing to any special circumstances, otherwise directs, exceed the sums deducted for these purposes in the last accounting period ending before the fourth day of August, one thousand nine hundred and fourteen, and no deductions shall be allowed in respect of any transaction or operation of any nature where it appears, or to the extent to which it appears, that the transaction or operation has improperly reduced the amount to be taken as the amount of the profits of the trade or business.
- (5) In the case of any contract extending beyond one accounting period from the date of its commencement to the completion thereof and only partially performed in any accounting period there shall (unless the Minister, owing to any special circumstances, otherwise directs) be attributed to each of the accounting periods in which such contract was partially performed, such proportion of the entire profits or estimated profits in respect of the complete performance of the contract as shall be properly attributable to such accounting periods respectively, having regard to the extent to which the contract was performed in such periods.

CAPITAL.

6. That the capital employed in the trade or business of an incorporated company having its head office or other principal place of business in Canada shall be the amount paid up on its capital stock.

7. That the capital employed in the trade or business of a non-Canadian company shall be such portion of the amount paid up on its capital stock as shall bear the same proportion to the amount paid up on its entire capital stock as the value of its assets in Canada bears to the value of its assets outside Canada.

8. That the Minister may determine the amount of the capital of any incorporated company issuing stock after the fifteenth day of February, one thousand nine hundred and sixteen, and if, after the said fifteenth day of February, one thousand nine hundred and sixteen, the capital stock of any incorporated company is increased or additional stock is issued, or if the stock is in any way changed or reorganized in such a manner as to increase the amount of the capital, the Minister may decide whether or not it is fair and proper to include such increase or any part thereof when determining the capital of such company, and the decision of the Minister shall be final and conclusive.

9. That the capital employed in the trade or business of any person other than an incorporated company shall be taken to be the value of all assets real and personal, movable and immovable, used in connection with such trade or business:—

- (a) so far as the capital consists of assets acquired by purchase the value shall be the price at which such assets were acquired, subject to any proper deductions for depreciation or replacement, or for unpaid purchase money; and
- (b) so far as the capital consists of assets being debts due to the trade or business the value shall be the nominal amount of those debts, except bad debts proved to be such to the satisfaction of the Minister; and
- (c) so far as the capital consists of any other assets which have not been acquired by purchase the value shall be the value of the assets at the time when they became assets of the trade or business, subject to any proper deductions for depreciation or replacement.
- (d) Accumulated profits employed in the business shall also be deemed capital.
- (2) Any borrowed money or debts shall be deducted in computing the amount of capital.

- (3) Where any asset has been paid for otherwise than in cash the cost price of that asset shall be taken to be the value of the consideration at the time the asset was acquired.

10. That provision be made requiring persons liable or believed to be liable to make such returns as may be necessary to assess the tax; and that provision also be made for the assessment of the several persons liable to taxation; for the appointment of a Board of Referees to determine assessment appeals; for a further appeal to the Exchequer Court of Canada; and for the collection of taxes, interest and costs in the Exchequer Court of Canada and other courts of competent jurisdiction.

FINANCIAL PROPOSALS, 1916-17.

I have now to direct the attention of the House to the matter of the borrowings by which we shall supplement our revenues to the full amount necessary to meet our war expenditure for the coming year. At present we are, as I have stated, financed as to our requirements in Canada until the beginning of summer. We have, however, a large body of troops—over 100,000—overseas, whose pay and cost of maintenance run into large figures, and will continually increase as its number increases. To pay and maintain these forces abroad we should, if we relied entirely upon our own resources, be obliged to raise the money here and purchase exchange on London, as the expenditure in question is made in Britain and on the Continent. To provide this money, and as an efficient safeguard to our own financial situation in Canada, we arranged last fall for a total authorized loan of £30,000,000 from the Imperial Treasury, to be availed of, if necessary, at a rate not exceeding £2,500,000 a month during the present calendar year. In connection with this loan I may point out that with the large invisible balance of interest payments amounting to about \$150,000,000 annually, which Canada owes to Great Britain on past indebtedness, and our annual interest debit of \$37,000,000 to the United States, we should, if an arrangement of the kind was not effected, be obliged to export gold to Great Britain or to the United States to the amount of a part at least of our war expenditure abroad. While this arrangement absolutely ensures the stability of our finance for the year, it will be our most earnest endeavour to avail ourselves as little as possible of this generous provision on the part of the Imperial Government, sustaining, as it is, the heavy burden of financing its own unparalleled war expenditures, and making loans on a vast scale to the Allies. Further, it is our intention, to the extent we may be able, to make advances in Canada to the Imperial Government to facilitate its additional purchases here of munitions and supplies. Some plan of the kind, either with the Government or with our banks or business interests, would seem, in the present state of sterling exchange, to be necessary if such purchases are to continue, at least on the large scale which has obtained during the past year.

In considering the question of future loans, it is to be pointed out that while there is considerable money on this continent for short-date investment, the amount obtainable diminishes and the rate of interest increases with length of term. My personal view of the policy to be followed in war finance is that it is preferable to face the higher rate payable on long-term issues rather than to make repeated short-date issues whose maturities may have to be provided for by payment or renewal at times when further funds have to be raised for fresh war expenditures. Moreover, it is not, in my opinion, desirable that in the period immediately succeeding the conclusion of the war the Government of the day should be hampered in its financing, in the possibly trying conditions of recuperation and reconstruction, by the necessity of funding numerous issues maturing due at brief intervals.

The conspicuous success of the recent Canadian War Loan encourages us to hope that a large portion of our requirements from this forward may be raised from our own people. There is no doubt that this can be done if the production of the Dominion continues to increase, and if strict economy and thrift are exercised by our people with the intention of investing their savings in Government securities. In considering the question of future Canadian flotations, we shall, of course, have regard to existing banking and exchange conditions, with the object of causing as little as possible disturbance to and interference with general credit conditions and arrangements.

To assist in our war financing I have to propose a legislative measure whereby life insurance companies and associations carrying on business in Canada under Dominion license will be obligated to invest and keep invested a certain portion of their assets during this and next year in the currency, bonds, or debenture stock of the Dominion. We propose that companies whose domicile is outside of Canada, but which are licensed to transact business in Canada, shall make the deposits which they are required to make in 1916 and 1917 as security for their policyholders in the Dominion in such securities, and as to Canadian companies we propose that for the same two years they shall invest in such securities one-half of the increase in their net ledger assets during the years 1915 and 1916 after making provision for increase in foreign reserves and in policy loans. Provision will be made to meet the case of foreign companies which have already made their deposits for the present year. The aggregate amount of such investments will reach a total of at least \$15,000,000. Having regard to the rate of interest which the Dominion is now paying upon its securities, there can be no hardship in such legislation either to the insurance companies or their policyholders who will obtain an investment of the highest character yielding a most attractive interest

return. I have the less hesitation in proposing this legislation because, unlike other financial companies, life insurance companies and associations have not been subjected to Dominion taxation. In connection with this measure, I desire to express my sincere thanks to the life insurance companies and associations for their prompt, generous, and patriotic response to the appeal for subscriptions to the Canadian war loan. Their holdings in this issue will, of course, be available *pro tanto* in discharge of their obligations under the proposed Act.

I now beg to give notice of a Bill intituled, "The Life Insurance Companies Investment Act, 1916," which I shall later introduce to the House.

To promote saving among the public and afford a ready means of remunerative investment in Dominion securities for funds seeking investment during the intervals between public offerings, we have determined to authorize the sale, from time to time, in principal sums of \$100 and multiples thereof, of debenture stock repayable in five years from date of issue, and bearing interest payable half yearly by cheque negotiable without discount at any branch of any chartered bank in Canada. The price will be par, and full information as to the nature and terms of the issue will be published later. The Government will reserve to itself the right to limit the amount of individual sales, and generally to deal with the issue as may be deemed advisable having regard to the national credit and requirements.

These, Mr. Speaker, are all the fiscal and financial proposals which I have to lay before Parliament in the present Budget, and it is my earnest hope that they may merit and find general acceptance. Taxation measures can hardly ever be expected to be popular, at least with those upon whom they fall. But I much mistake the spirit and temper of the Canadian people if they do not cheerfully accept as hitherto in the spirit of the loftiest patriotism and willing self-sacrifice the added burdens which the exigencies of the war compel us to cast upon them.

It may seem premature at this stage of the conflict to touch upon the question of policy to be pursued after its termination. But this I feel justified in stating, that the Government is fully alive to the importance of taking immediate action looking to the promotion of desirable immigration and land settlement, both during and after the war, and the creation of all necessary machinery and organization to that end. The future of Canada rests with the development of its great resources, of which the greatest and most fundamental is agriculture, and this development is in turn bound up with the question of increase in population of the productive sort and the facilities afforded it for the application of its intelligence and industry. It is probable that in the straitened financial conditions which may prevail for some years forward the question of capital for the develop-

ment of agriculture may be of paramount importance, and it is our intention to inquire carefully during the coming recess into this most important subject, with a view, if desirable in the public interest, to supplementing by federal aid existing facilities in this connection. Particularly will the question of the establishment of a system whereby loans at reasonable rates repayable on the amortization principle engage the attention of the Government.

CONCLUSION.

It might be assumed that in so important a deliverance as the Budget Speech I should say something as to the war and its progress. But the subject has been dealt with so ably and so eloquently by the leaders and members on both sides of the House that further reference on my part could be only superfluous. The conflict has developed and extended upon a scale and to an extent far beyond our expectations or imaginings at its inception. Looking backward over its tragic course and reflecting upon its varied fortunes, there has grown in the hearts and minds of all an ever-deepening sense of its increasing gravity and menace to the Empire's safety. But the Empire's courage, the Empire's strength have steadily grown with the growing peril. Never has our national spirit been more high, never our resolve more unshaken, never have we been more supremely confident of ultimate victory than we are to-day. We have taken the measure of our foe, we have estimated the resources of our manhood and the other elements of Imperial power, and we steadfastly abide the issue in calm consciousness of inherent strength and the eternal justice of our cause. We fight for human progress and for human rights, and we can and shall endure unto the end.

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. SIR THOMAS WHITE, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, APRIL 24,

1917



OTTAWA

PRINTED BY J. DE L. TACHÉ,

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BUDGET SPEECH

DELIVERED BY

HON. SIR THOMAS WHITE, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, APRIL 24, 1917

WAYS AND MEANS—THE BUDGET.

Honourable Sir THOMAS WHITE (Minister of Finance) moved:—

That the Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, I avail myself of the opportunity afforded by this motion to make the annual budget statement.

The features of the public finances in which I conceive the House to be chiefly interested at the present time are the relationship between national income and national expenditure and the increase in the national debt. For the first year of the war the revenue from all sources was about \$130,000,000. It rose during the second year to \$170,000,000. For the year ended March 31 last, I am happy to say, our income will reach \$232,000,000, or one hundred million in advance of the fiscal year 1915. In round figures, \$134,000,000 of the aggregate was derived from customs, \$24,000,000 from excise, and \$12,500,000 from the business profits war tax. From this last named tax, which was introduced by the Budget of last year, we estimated that we should receive \$25,000,000 during the three years of its currency. Our experience has proved that this estimate will be largely exceeded. This tax was retroactive, being levied in respect of business accounting periods ending subsequently to December 31, 1914. The

profits of the first accounting period of businesses subject to the tax were much affected by the severe depression and dislocation of business incidental to the first months of the war. Nevertheless, from this first period the sum of \$12,500,000 has already been collected, and when the full levy is made we expect to have collected in respect of this period as much as \$15,000,000. For the second accounting period, the taxes for which are payable during this year, we estimate that the amount collected will be much larger—in fact, as high as \$20,000,000, or more. The increase will, of course, be due to the business prosperity which has prevailed in Canada during the past year and the profits made in supplying munitions of war. On the whole, notwithstanding the difficulty of organizing on short notice the official machinery necessary to cover so large a country as Canada, the tax has worked out much more satisfactorily than we expected, and the total results will be much greater than the estimate.

I have said that the total income of the past fiscal year was \$232,000,000. Leaving aside for the moment our direct war expenditure, our outlay for the past year was upon ordinary account \$145,000,000 and \$27,000,000 upon capital and subsidy account, or a total of \$172,000,000. It is to be borne in mind that of our ordinary expenditure \$25,000,000 represents increased interest and pension charges due to the war. Taking our total revenue at \$232,000,000 and our total current and capital expenditure at \$172,000,000, we find that during the past fiscal year we were able to pay from our income all current and capital expenditure, all charges of interest upon our increased national debt, all pension outlays, and in addition devote the sum of \$60,000,000 to payment of the principal of our war expenditure. For a country such as Canada, of sparse population and without the conditions of long-established and concentrated wealth prevailing in older and more settled communities, the result must be regarded as extremely satisfactory.

Coming next to the question of our direct war expenditure, we find that with our increasing military effort it also is continually increasing. Since the beginning of hostilities our total war outlay, including estimated and unadjusted liability to Great Britain for the maintenance of our troops at the front and inclusive of withheld pay, totals, so far as we can calculate,

about \$600,000,000. As the result of this large war expenditure, the net national debt of Canada, which was \$336,000,000 before the outbreak of war, has risen to over \$900,000,000, although this will not be shown by our official statements for some months to come. By the end of the present fiscal year it may reach \$1,200,000,000.

From the beginning it has been clear that it would not be possible for the people of Canada to pay, during the war, more than a part of the principal of our war expenditure. The policy of the Government has therefore been directed along two main lines: first, to fund the war indebtedness so as to postpone its maturities to periods well beyond the end of the war, and secondly, by increased taxation on the one hand and the reduction of current expenditure on works on the other to be in a position to meet from annual income all annual outlays including increased interest and pension charges and in addition a substantial amount of the war expenditure itself.

In order to carry out this programme it will be necessary, as our war expenditure, and consequently our interest and pension charges increase, to increase also our income. This raises the question of the sources of revenue still open to us. A higher customs taxation upon luxuries has been frequently suggested, but this proposal overlooks the fact that most articles of this character are embraced under fixed rates in the treaty with France, and the tariff cannot therefore be raised in respect of these. Apart from this we should hesitate at a time when France needs the advantage of all her sales on this side of the Atlantic to assist her exchange, to place a prohibition or increased duty against importations from our great Ally.

Then it has been frequently suggested that following the example of Great Britain and the United States, we should adopt an income tax upon all incomes beyond, say, \$1,000 or \$2,000. The comparison in this regard, however, of Canada with either of these countries is fallacious. We are not a country of large accumulated wealth and of incomes derived from investments. Canadian incomes are derived mostly from personal earnings, and while there are many exceptions, the rule prevails generally throughout the Dominion. So far as I am aware the incomes of the professional and salaried classes throughout Canada have not materially increased since the

outbreak of the war. In the case of many they have actually declined. This being so, it does not seem equitable to impose upon these the burden of an additional income tax—for they are taxed now upon their incomes by municipalities and provinces—at a time when owing to the war the cost of living has so greatly increased. If such a tax is to be imposed, it seems to me that so far as the great majority of Canadians are concerned, it might better be levied in time of peace, when the cost of living is again normal. It is further to be pointed out that the maximum amount which would be obtained from such a tax in Canada would in terms of Dominion finance be comparatively small and that its administration would require almost a second Civil Service sufficient in number to cover every municipality, rural and urban, throughout the Dominion. The cost of levy and collection of such a tax would be much higher proportionately than in a geographically small, wealthy, densely populated country like Great Britain or than in the United States, which although of the same area as Canada has twelve times the population and much more than twelve times our wealth. On the whole it would appear to me that the income tax should not be resorted to by the Dominion Government until its necessity becomes clearly and unmistakably apparent notwithstanding the drawbacks which I have mentioned. In connection with this tax it is also to be observed that the larger incomes in so far as they are not personally earned are derived in part from holdings in joint stock companies already subject to taxation under the provisions of the Business Profits War Tax Act. It must also be remembered that the Canadian public are voluntarily supporting the Canadian Patriotic, Red Cross, and other funds. The amount contributed annually to these funds is much in excess of the amount likely to be realized from any income tax. It is true that some wealthy men do not contribute their fair share to these funds. But this would also be true in any scheme of income taxation especially with issues of Dominion bonds exempt from Dominion taxation.

The question of further revenue then narrows down to abnormal profits made by business firms during the period of the war and this in my view is the proper and legitimate source to which to look for increased revenue to meet the increased

cost of the war. If a business is making, in war time, profits above the normal, they must be due to the abnormal conditions created by the war, that is to say, such a business is deriving advantage from the war. It follows that it may properly be required to contribute a share of such profits to the Government for the purposes of the war. I do not see, Mr. Speaker, that it makes much difference whether the business in question is the making of munitions or of any other class. Munitions are needed and no discredit attaches to the enterprise which provides them. The steel company which engages in the production of munitions could in most cases make as much if not more money by selling its steel products in world markets. Moreover, it would be inequitable to discriminate against the firm which makes a profit upon the finished article known as munitions and leave untaxed the profits (it may be equally large) of those firms which manufacture and supply the raw material or partly manufactured products from which they are made, or the businesses throughout the country which make abnormal profits from the distribution of money expended by Governments in payment for such munitions. If higher profits are made in the manufacture of munitions the higher the tax taken under business profits legislation.

In accordance with the principle which I have enunciated the Government last year imposed the Business Profits War Tax. Under that legislation profits in excess of a certain percentage upon capital invested were taxed to the extent of twenty-five per cent of such excess. This measure has proved quite successful, not the least of its merits being the small cost of its administration which will probably not exceed one-half of one per cent upon the amount collected. In view of the increasing interest and pension charges due to the war and believing this to be the true source to which recourse should now be had for further revenue, we propose to extend this tax by taking an increased share of profits.

We propose to take from persons, firms and companies liable to the Business Profits War Tax Act, 1916, fifty per cent of all profits in excess of 15 per cent but not exceeding twenty per cent per annum and seventy-five per cent of all profits in excess of twenty per cent per annum upon capital. That is to say, up to fifteen per cent they will be liable to the

existing legislation and in addition we shall take one-half of their profits between 15 per cent and 20 per cent and three-fourths of their profits beyond 20 per cent. The increased tax will chiefly affect manufacturers of munitions and other war supplies. While the percentage of excess profits which is taken is large, sufficient is left to provide incentive to effort on the part of all subject to the tax.

The new legislation will apply to the last accounting period of the three year term provided for in the Business Profits War Tax Act, 1916, namely, to all accounting periods ending after December 31, 1916. I am unable to estimate what amount will be derived from this taxation as it will depend upon the condition of business during the year. It will however give us without doubt a very substantial additional revenue.

Before leaving the question of taxation, I desire to say that the measures we have adopted have necessarily broadened in their scope as the war has progressed. No one has at any time been able to forecast the length of the war. It has now lasted nearly three years and the end is not yet in sight. Should another year be added to its duration with the consequent increase in our financial burden new sources of revenue must undoubtedly be sought. In seeking for these it should, I am sure, always be kept in mind that Canada has been in the past and will likely be for many years in the future a country inviting immigration and capital to develop its resources and contribute to its prosperity. Especially should we in considering taxation measures for the period following the war keep in view the desirability of the flow of settlers and capital to Canada not being retarded through fear on their part of heavy Federal taxation.

CANADA'S WAR LOANS.

The question of our financing since the last Budget was fully explained and discussed in the first part of this session. During the recess we successfully floated the third Canadian War Loan, an issue of \$150,000,000 five per cent, twenty year bonds at 96. The public response was most gratifying, the issue having been oversubscribed to the extent of about one hundred million dollars. The proceeds of this loan will enable us to finance both ourselves and the Imperial treasury in

respect of expenditures in Canada until June. It is my present intention to arrange then for an issue of notes or treasury bills and if conditions are favourable offer another war loan in the early fall.

Since the outbreak of war we have floated in Canada domestic loans aggregating \$350,000,000 and have in addition furnished \$150,000,000 through our chartered banks to the Imperial treasury to meet its commitments for munitions and supplies purchased in Canada. Everywhere, I believe, this is regarded as a very notable achievement on the part of Canada. It has not only made possible our participation on a large scale in the war, but it has in greater measure than we realized brought about the present state of prosperity in the Dominion. Without the aid afforded by the savings of our people the expenditures which have been made in Canada by both Governments for supplies and munitions could not have been made, so that those who have saved have benefited not only themselves but the entire community. While our national saving during the war has been gratifyingly large, it is not so great as it should have been, and to-day no better advice can be offered to the public than to exercise the strictest thrift and economy. Every additional day the war lasts makes this individual and national duty the more imperative.

CANADA'S TRADE 1916-17.

No aspect of our affairs during the war is more striking than the vast increase which has taken place in our international trade. The aggregate of our imports and exports (excluding coin and bullion) for the fiscal year 1912 was \$841,000,000; for 1913, \$1,063,000,000; for 1914, \$1,090,000,000; for 1915, \$958,000,000; for 1916, \$1,309,000,000. For the year ended on March 31 last, the total international trade of Canada reached the enormous total of \$2,043,000,000.

Mr. MICHAEL CLARK: Would the minister kindly give us a statement of the exports and imports?

Sir THOMAS WHITE: If my hon. friend does not mind, I would prefer to give them in committee. I have them here, but I cannot conveniently lay my hand upon them. This, Mr. Speaker, is nearly double the volume of the largest

trade in the history of Canada before the war. Equally notable with this huge increase in volume is the change which has taken place in relative amounts of imports and exports. For 1912, the balance against us was \$125,000,000; for 1913, \$309,000,000; for 1914, \$180,000,000; for 1915, \$36,000,000. For 1916, we had for the first time in many years a favourable balance of \$249,000,000. During the last fiscal year this favourable balance increased to \$314,000,000. Figures such as these indicate a very prosperous condition within the Dominion. It must however be steadily kept in mind that the higher prices obtainable under war conditions for our national products and the output of our industrial plants of war supplies and munitions are chiefly responsible for this extraordinarily favourable condition of our external trade, and that with the cessation of the war dislocation of industry and modification of prices are bound to ensue. I take it that it is unnecessary for me to mention the large increase in our exports due to our grain and other commodities sent abroad by us and the high prices which have been and are being obtained for them. I said that, with the cessation of the war, dislocation of industry and modification of prices are bound to ensue. The only safeguard against these conditions is saving on the part of all who are now engaged at good wages and are in a position to save and the careful husbanding of their resources by firms and companies engaged in business. The position of most businesses in Canada is now thoroughly sound, and it is for their proprietors, with the prudent watchfulness of their bankers, to keep them in that condition. The sources of danger to business in war time are speculation in commodities and stock exploitation on the exchanges. With these avoided and national savings greatly increased we might look forward with confidence to whatever may occur in the reconstruction period after the war.

We have no tariff changes to propose.

To carry out the taxation proposal which I have announced and certain necessary amendments to the Business Profits War Tax Act, 1916, I beg to give notice of the following resolution which I shall move in committee:—

Resolved, That it is expedient to amend the Business Profits War Tax Act, 1916, by providing:—

1. That in any business taxable under the Act where the annual profits exceed fifteen per centum per annum the tax shall be increased to fifty per centum with respect to all profits in excess of the said fifteen per centum but not exceeding twenty per centum per annum, and where the profits exceed twenty per centum per annum the tax shall be increased to seventy-five per centum with respect to all profits in excess of the said twenty per centum, and such increases in the tax shall be levied against and paid by the person owning such business for each and every accounting period ending after the thirty-first day of December, one thousand nine hundred and sixteen:

2. That for the purposes of the said Act, the actual unimpaired reserve, rest or accumulated profits held at the commencement of an accounting period by an incorporated company shall be included as part of its capital as long as it is held and used by the company as capital;

That any enactment founded on this resolution shall be deemed to have come into force on and from the eighteenth day of May, one thousand nine hundred and sixteen;

3. That the tax shall be paid each year within one month from the date of the mailing of the notice of assessment;

4. That with respect to every business liable to taxation hereunder the period for which the returns shall be made and during which it shall be liable for assessment shall be at least thirty-six months, commencing with the beginning of the first accounting period ending after the thirty-first day of December, 1914, or for such less period as the business may have been carried on from the beginning of the said accounting period to the end of the period for which the said tax may be levied under the said Act.

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. A. K. MACLEAN, M.P.,
ACTING MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, APRIL 30,

1918



OTTAWA

J. DE LABROQUERIE TACHÉ

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1918

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BUDGET SPEECH

DELIVERED BY

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ACTING MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, APRIL 30, 1918.

WAYS AND MEANS—THE BUDGET.

Honourable A. K. MACLEAN (Acting Minister of Finance) moved:—

That the Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, in presenting to-day the annual statement of the financial affairs of the country I deem it but fitting and proper that at the outset I should give expression to what I believe is the profound and sincere regret of Parliament, that Sir Thomas White, the Minister of Finance, was unable to deliver the annual budget by reason of an enforced and lengthy absence from official duties. Regardless of party distinctions, and the inevitable differences of opinion that must prevail regarding the administration of the financial affairs of the country, I am sure that honourable gentlemen will heartily concur in the observation, that the highly important duties attaching to the Department of Finance, so abnormal in their magnitude and exacting in their detail during the war period, have been discharged by Sir Thomas White with distinction and with conspicuous ability. To his task he has applied great energy and industry, and in his labours he has been solely animated by the high motive of rendering faithful and unselfish service to the State. I am confident the House will join with me in expressing gratification upon the fact that he has so far recovered his health that he proposes an early return to Canada to resume his official duties, after disposing of some public business now engaging his attention in the United States.

REVENUE.

The revenue for the fiscal year ending March 31, 1918, will, when the accounts are finally closed, reach \$258,000,000, exceeding the revenue of the preceding year by \$26,000,000, and that of the first year of the war by \$125,000,000. Of the total amount of \$258,000,000, Customs will yield \$146,000,000 and Excise \$27,000,000. From the various taxations, apart from Customs and Excise, we shall have received nearly \$25,000,000. The several sources from which this revenue was derived, and the amounts, might be of interest to the House. For the past fiscal year they are as follows: Business profits war tax, \$21,271,283; banks, \$836,724.28; insurance companies, \$385,127.68; trust and loan companies, \$207,917.68; Inland Revenue from railways, steamships, telegraph and cable companies, stamps, etc., \$2,229,922.81; a total of \$24,990,975.45.

EXPENDITURE.

Coming to our ordinary expenditure, and taking cognizance only of expenditures for civil government, and disregarding all outlays on account of war, the expenditure for the fiscal year 1917-18 is estimated at \$173,000,000. The total expenditure of \$173,000,000 includes payment of interest, estimated at \$45,000,000, and pensions of some \$7,000,000, or \$52,000,000 altogether; whereas prior to the war the outlay on interest was but \$12,000,000, and of course the expenditure for pensions on account of the war had not yet begun. It is also inclusive of the sums of \$25,000,000 and \$7,500,000 voted and advanced on account of the Canadian Northern Railway and the Grand Trunk Pacific Railway respectively. For the capital outlays beyond the ordinary current expenditure of \$173,000,000 an expenditure of \$30,000,000 is estimated. These two items of expenditure amount to \$203,000,000, and represent the outlay of Canada for all purposes apart from war during the past year.

With a total revenue of \$258,000,000, and an ordinary and capital expenditure of \$203,000,000, it will be seen that during the fiscal year 1917-18 the Government was able to meet all ordinary and capital outlays, including an increased amount for interest account and pensions over the previous year of nearly \$15,000,000, and have a favourable balance of about \$55,000,000 to be applied to war expenditures.

FISCAL YEAR 1918-19.

The Main Estimates for 1918-19 have been submitted to the House, and Supplementary Estimates will be presented later. Apart from the increased interest caused by our war borrowing, and the amount required for pensions, also arising out of the war, substantial reductions have been made in the Estimates of practically all the services, and I anticipate that actual expenditure will be well below the amounts voted. These reductions, however, are more than offset by the additional sums needed for interest and pensions for the current year over the past year, and which excess I estimate at \$25,000,000, so that ordinary expenditure for 1918-19 will increase materially over that of the previous year. Outside of interest and pension account, ordinary expenditures should not exceed those of last year. Substantial disbursements this year will be necessary in connection with the Soldiers' Land Settlement programme, and a substantial liability has been assumed for the year in connection with the Halifax disaster. The capital expenditure vote has been materially cut. It is estimated that for the fiscal year 1918-19 we shall be able to pay our ordinary and capital expenditure out of our revenue and have, as in the past two years, an appreciable sum over, which we can apply to war purposes. The unexpended balance of the Victory Loan will finance our war expenditures and advances to the Imperial Government until July next, when Treasury bills will be temporarily negotiated, until the proceeds of the next public loan are available.

WAR EXPENDITURES.

Canada is now in the fourth year of the war. Our expenditure on war account for the year 1917-18 approximates \$345,000,000, of which amount \$167,000,000 was expended in Canada, the balance, \$178,000,000, represents our war expenditure overseas. Up to March 31, 1917, we had expended for war purposes \$533,437,036.11, so that on March 31, 1918, our total outlay for war was approximately \$878,000,000. This amount includes all expenditures in Canada, Great Britain and France, and is also inclusive of the upkeep of our troops overseas. The amount does not, however, include any pay due but not yet paid to the troops overseas. During the past two fiscal years we have applied to war expenditure surpluses of revenue over ordinary and capital outlays the sum of \$113,000,000, and our interest and pension payments attributable to war and covering the entire war period would approximate about \$75,000,000.

NET DEBT.

The net debt of Canada, which before the war stood at about \$336,000,000, has now passed the billion-dollar mark, and it is estimated that when the accounts for the year 1917-18 are closed it will reach, approximately, \$1,200,000,000. The increase is almost entirely attributable to war expenditures. To provide funds for our war necessities, apart from the amounts we were able to spare from the ordinary revenues of the country, we have had recourse to public loans, and from time to time to temporary loans from our banks, which were subsequently liquidated from the proceeds of loans.

TRADE.

The statistics of our trade indicate that our exports, year by year as the war progresses, are showing a greater and greater increase over our imports. The year before the war the imports exceeded the exports by nearly \$300,000,000. In 1917-18 this condition has been so completely reversed that the exports exceeded the imports by almost \$625,000,000, and our total trade, which passed the billion mark in 1913, exceeded the two and a half billion mark in 1918.

It must be borne in mind, however, that this increase in our total trade is very largely attributable to war conditions, and as well the very favourable trade balance. It might be informing to the House to briefly state that in 1917-18 our exports to Great Britain were about \$860,000,000, while our imports amounted to \$81,000,000. Our exports to the United States reached the sum of \$440,000,000, while our imports were \$790,000,000.

IMMIGRATION.

The general impression I fear prevails that we have had practically no immigration into Canada since the beginning of the war. While of course it is proportionately much less than in years just prior to the war, still it is not a negligible quantity. In 1915-16 our immigration was 48,537; in 1916-17 it was 75,374, and in 1917-18, 79,074; a total of 202,985 in the past three fiscal years. Of this total number 169,640 came from the United States and 20,124 from the British Isles. An important fact in connection with this immigration is that it was very largely composed of agriculturalists. The Minister of

Immigration and Colonization informs me that everything clearly indicates a very large immigration into Canada, commencing shortly after the conclusion of the war and so soon as transportation facilities are available. A factor to be kept prominently in mind is that the employment of women and girls in occupations heretofore filled by men will continue in all the belligerent countries of Europe for many years at least, thus limiting the avenues of employment ordinarily open to men, and leaving a surplus for emigration, notwithstanding the heavy toll upon life enacted by the war.

EXCHANGE.

Owing to the inability of Great Britain to settle in the usual way her trade balances, and to which I propose referring later, we are experiencing an acute exchange problem in Canada. During the past few months a very high rate has prevailed on remittances of funds to the United States, which has imposed a severe tax upon importers and the public, and, if it continues, must diminish imports or add to their cost. This high rate is due to the fact that we have to remit more to, than we receive from, the United States, and consequently the demand for United States funds is greater than the supply. Were we able to sell securities in the United States the rates of exchange might easily have been adjusted or normalized, but Canadians were not permitted to do so. The Government did not require during the present year to borrow in the United States, even if we were permitted, and consequently by such an operation it was not convenient or practical to correct the exchange.

To redress the adverse rate of exchange with the United States, we must lessen our imports from that country, or the United States must buy more from us, or we must sell securities in the United States to the extent of a very substantial proportion of our adverse trade balance. Other considerations, however, are involved in this matter, to which I shall refer later, but I might be permitted to say that the Government has been diligent in its endeavours to bring about such financial arrangements with the Governments of Great Britain and the United States as would materially relieve our people of the burden of the present high rates of exchange. I hope that very shortly we shall be in a position to announce the successful conclusion of negotiations which have in view this end. In connection with

the exchange problem it might be of interest to state that for the first three months of this calendar year our imports from the United States have decreased below that of the corresponding period of last year by over \$36,000,000, while our exports have increased in the same comparative period by about \$20,000,000.

THE VICTORY LOAN.

The unqualified success attending the Victory Loan of last year, as well of previous domestic loans, is of such notable importance and significance that it calls for more than a passing reference. The large investment made by our citizens in the securities issued by the Government from time to time since the beginning of the war is a matter of natural pride to all Canadians. Since December 1, 1915, domestic war loan issues aggregating \$746,000,000 have been made, and of which over \$700,000,000 was subscribed for by Canadians, a very tangible evidence of the productive powers of our people, their determination to sustain our army and our commerce by loans to the State, and their faith in the ability of Canada to honour in the future the financial obligations now so honourably incurred. That Canada possessed such a purchasing power it is needless for me to say was hardly entertained by any person, even the most optimistic.

Last November the fourth war loan was placed upon the market in Canada. In the case of the three previous loans, for their successful flotation, the Government of the time relied upon newspaper advertising methods alone to secure the required subscriptions, and no extensively organized campaign was deemed necessary. In the case of the last loan, however, it was felt that more vigorous methods should be adopted in order that a wider response to the appeal should be received from all classes of our population, so that the absorption of the loan would be rapid and that by spreading the holdings over as many people as possible, the subscribers would be more strongly protected so far as the market price was concerned.

The Minister of Finance, with the co-operation of some of the most active of the business men of the Dominion, organized a central committee called the Dominion Executive of the Victory Loan Campaign, which in turn organized associated committees in every province. These again created committees in various counties, cities and towns. By address, advertisement

and canvass, by the united effort of all these countrywide organizations, the results far exceeded the expectations even of those best qualified to anticipate the result of an appeal of this character. The bonds were of five, ten and twenty year maturities. The prospectus called for an amount of \$150,000,000, but the loan was an open one and the right was reserved to exceed subscriptions above this amount. In response to the appeal, subscriptions to the amount of \$408,000,000 from approximately 600,000 subscribers, a subscription from about one in every nine of our population, a subscription of over \$58 per capita, were received. This was slightly better than the result of the Liberty Loan of 1917 in the United States, where some 9,400,000 subscriptions were received, or about one in more than eleven. The subscriptions in the four western provinces were particularly gratifying, and indicate in these new provinces remarkable accumulation of wealth, which fact is pleasing to the older sections of the Dominion. The Victory Loan Committee state the subscriptions of Alberta amounted to \$16,515,150; British Columbia, \$18,814,700; Saskatchewan, \$21,777,050; and Manitoba, \$32,326,600. Opportunity was given to the Overseas Forces to subscribe, and we received over \$1,500,000 from soldiers who cashed in their faith in their fight and country.

The total subscription was cut down to an allotment of \$398,000,000 of new money, not counting holdings of previous war loans which were convertible and were converted into Victory Loan Bonds to the amount of over \$150,000,000. When all the charges are computed and paid, the cost of the loan will approximate $1\frac{1}{4}$ per cent, which is comparatively small in such a large operation and extending over so wide an area. The banks received $\frac{1}{4}$ of 1 per cent as remuneration for their services and to compensate them for the labour entailed in all their branches in taking the subscriptions; issuing temporary receipts; delivering the scrip; receiving the five instalments from January to May; transmitting the cash to the Department of Finance; delivering the bonds to subscribers in exchange for scrip, and paying at par all over Canada the coupons and interest cheques during the whole period covered by the loan.

The probable subscribers of the larger amounts were solicited by the agency of a special committee and upon these subscriptions no commission was paid. The local canvassers received $\frac{1}{2}$ of one per cent on all subscriptions received by them

to compensate them for their time and labour; and finally, the bond dealers and brokers who co-operated most heartily and energetically in the work and who placed the services of themselves and their several staffs at the disposal of the committee were allowed such remuneration as was deemed reasonable by the Minister of Finance. It is estimated that the total charges will amount approximately to \$5,000,000, or about $1\frac{1}{4}$ per cent. When the issuing charges for all our previous loans are considered, it will be found that this may be regarded as exceedingly reasonable.

I wish to acknowledge on behalf of the Minister of Finance and the Government his and their thanks and appreciation of the splendid and patriotic services of all the committees and workers whose efforts in a noble cause proved so successful; to the press, also, and to the public spirited citizens who, in an honorary capacity, gave valuable assistance in this great campaign, I desire to publicly and gratefully acknowledge their valuable services. Preparations for the next Victory Loan have already commenced, and the Government have also under advisement the matter of the sale of War Savings Stamps, a borrowing scheme very successfully employed in the United States.

FINANCING WAR AND TRADE.

There is a very direct connection not only between our domestic loans and the financing of our war operations, but also with our productions and our overseas export trade, and I think the matter well worthy of some consideration. Fundamentally trade is the exchange of products, and payment of the purchases of goods abroad must be made by the sale of goods or securities abroad. With us, gold is not a factor in international trade. All are acquainted with the fact that the war has disturbed the natural currents of trade, rendering impossible the settlement of international trading accounts in the usual manner. Prior to the war, Canada had a favourable trade balance with Great Britain through the sale of her products and securities in that country, while we have always had an unfavourable trade balance with the United States. We settled the latter in London out of our available credits there, which was of course convenient to the United States because that country always had payments to meet there.

The later stages of the war, however, have materially altered Great Britain's position, and circumstances have compelled her to purchase heavily of war supplies and foodstuffs on this side of the Atlantic, while her exports have been diminishing. She has thus become chiefly a purchasing nation, and is no longer a loaning but a borrowing country. In 1917-18 we had as a matter of fact a favourable merchandise trade balance with Great Britain of about \$790,000,000, while with the United States it was unfavourable to the extent of \$350,000,000. Normally, we would settle our unfavourable American trade balance with the moneys receivable from Great Britain for her liberal purchases of our high priced commodities. However, owing to the enormous purchases Great Britain was obliged to make for herself and some of her allies, and so great had been the drain upon her liquid resources in the first three years of the war, that in July, 1917, she was obliged to secure loans or dollar credits for her Canadian purchases, otherwise, she would be obliged to practically cease purchasing here. In that event, commercial disaster would have overtaken us and we would have had difficulty in financing our war expenditures. It was therefore important that immediate action be taken to meet this new condition of affairs. In order that our industries and our artisans might be employed, that our agriculturists might be afforded an export market and encouraged to produce, and that all our people might be paid for their exportable productions, which was of course of vital importance to all classes of our people, arrangements were consummated in midsummer last year whereby the Government of Canada agreed to make advances to Great Britain at the rate of \$25,000,000 per month in order that she might purchase in Canada such of our products as she needed and which we had to sell. In fact, advances for cheese and meat products in excess of the agreement were made last year. In addition, and for the same purpose, the Canadian banks agreed to make advances to the British Government, and altogether up to this date have advanced \$200,000,000 on the security of Imperial Treasury Bills. Further, the Government of the United States last year agreed to establish credits for British purchases in Canada.

These arrangements are still effective and are likely to continue throughout the year. In a word, the Government of Canada, and the Canadian banks have been granting credits for Great Britain's purchases in Canada in substantial amounts

since midsummer of 1917, otherwise, our overseas trade would have been seriously handicapped. I must point out, however, that while the Government has thus been making advances to assist in the payment of British purchases in Canada, Great Britain has been paying for Canada the upkeep of her troops in Great Britain and France, and sundry other Government accounts. These payments by the Imperial Government for Canada have been to date \$100,000,000 less than the payments made for Great Britain by the Canadian Government, and there is that amount to our credit in this open account to-day.

That is strictly the Government's financial position in respect to war and trade for this year. It might be interesting to consider the economic position of the people of Canada outside of the Government. The position of the people of the country, apart from the Government, is surrounded with additional difficulties. They must meet an adverse balance of merchandise trade with the United States, and also the principal and interest of maturities there. They must as well pay for imports from Great Britain, which last year amounted to \$81,000,000, notwithstanding we are the creditor country; and they must pay the interest owed by our people to people in Great Britain, and which amounts to about \$135,000,000 annually. The combined commitments of the Government and the people are, therefore, abnormal and substantial by reason of the conditions I have outlined.

Relatively, our position during the whole of the last fiscal year was less onerous than it is at present. In the early part of 1917 Great Britain was able to pay for some of her purchases, and, in addition, Canada was permitted to borrow money from the United States to the extent of \$185,000,000, which assisted in reducing our adverse balance with that country. In 1918, as far as one knows at present, we are prohibited from selling securities of any kind in the United States, and to that extent we are at a disadvantage this year in the settlement of our American purchases, and, of course, Great Britain is unable to pay directly for any portion of her Canadian purchases.

The experience of all nations during the war teaches us that all problems change as we approach them. We may yet, during the present year, be permitted to sell in a restricted way securities in the United States. The United States may buy more from us during this year, on account of war and other

purposes, than she did last year. I believe she will. We may, during the year, and should, as a people, buy less of the United States of non-essential articles. Great Britain may arrange with us to pay in pounds sterling for what merchandise our people buy from her, and what Canadians owe her people for interest; the Government collecting here under suitable arrangements the interest and merchandise accounts due the people of Great Britain by our people, and with the proceeds buying additional Canadian products and shipping them overseas. At any rate, there, in rough outline, is the problem of the Canadian people today in carrying on our part of the war, and in part our trade and commerce, and making possible the productions and activities of the manufacturer, farmer, fisherman and lumberman; and such, in part, is the method employed in bringing about that end.

With these facts before the House, it might be interesting to consider what, directly and indirectly, are the commitments of the Government for this year. Approximately we must provide:

For Civil Budget	\$230,000,000	
For War Expenditure	425,000,000	
For advances to the Imperial Government for financing in part our export trade with Great Britain	325,000,000	
In all	\$980,000,000	\$980,000,000

To discharge this there will be:—

Revenue	\$270,000,000	
Advances by Great Britain to pay for main- tenance of Canadian troops overseas, about	300,000,000	
Unexpended balance of Victory Loan as of March 31, 1918	130,000,000	
	\$700,000,000	\$700,000,000

leaving a probable balance for 1918-19 of \$280,000,000 to be provided from loans in Canada or elsewhere if possible. This is not inclusive of our commitments for expenditure on account of the purchase of railway equipment and Canadian Northern Railway maturities. The latter we hope to extend upon small payments of principal under powers which we are asking of Parliament this year, and the railway equipment, it is expected, will be financed largely by the issue and sale of equipment securities. The figures which I have given are possibly not exhaustive of either income or outgo; I merely

wished to show by a few figures, approximately only, the dimensions of the Budget of this country.

I have detained the House perhaps at too great a length in a statement as to how our war and in part our trade is financed. I wanted to make clear that if we are to continue our part in the war, and maintain our overseas trade at its present dimensions, the people of Canada must loan to the Government the money to accomplish that end. That is, they must, year after year, purchase Victory Bonds. There is no other way of accomplishing it. It cannot be obtained elsewhere. We must rely on our own capital and labour, so far as one can see, to carry on our present war and trade programme. I cannot too strongly state the imperative necessity of the Government borrowing from our own people, and the imperative duty of our own people to loan to the Government. No person can too strongly impress this view upon our country. This obligation rests upon all classes and upon every citizen. To enable our people to do this, it is necessary that they continue to produce wealth. The production of wealth means an excess of production above our own wants. We must continue to produce, and if possible in greater quantities, by a more effective mobilization and utilization of our man and woman power, notwithstanding the fresh requirements of our army for man-power, and the many other difficulties confronting us. And we must economize in every way. Primarily, saving is not a question of money. It is rather a question of saving the things that money will buy. The less we consume of that which we produce the greater the surplus we shall have to sell abroad. The more we save of our productions and of our services the better able shall we be to meet our increasing taxation, and the greater the power of our people to purchase Government bonds. Of our imports from the United States, there is a great volume of non-essential commodities, and luxuries. If we all ceased to buy of these, our adverse trade balance with the United States would be partially redressed, the cost of remittances for our essential imports from the United States would be less, and the cost of these essentials would be that much less to our importers and consumers, while a greater surplus would be available for payment of taxation and loans to the Government. We must learn to dispense with luxuries, and possibly with some of the things which we have hitherto regarded as necessities. In order to reduce this class of imports, it may become

necessary to control the same by the licensing system. I am merely pointing out that which should be the aim and the purpose of the state and its citizens and which becomes more clear as the war is prolonged. I do not think it can be justly said that the Canadian people have altogether failed in this respect, notwithstanding the many temptations which a war prosperity has brought to us. An investment of over \$700,000,000 in Canadian Government securities by Canadians is indisputable evidence of production and thrift, but better still, a token of stability, law and order in the days to come. The increase in our bank deposits is likewise an evidence of economy on the part of our people. I feel I am not subjecting myself to sound criticism when I say we can do better, and in very fact we must. In other respects are our people to be commended. In our expanding trade and commerce one might well have looked for a period of speculation that would have later spelled disaster, but there has been no speculation in lands or stocks, municipalities have curtailed expenditures as they all should do, building operations have been restricted to our wants, our financial institutions occupy a strong position, our currency is upon a sound basis, and the expansion of our industries can hardly be said to be unsound.

TAXATION.

I now approach a consideration of the matter of taxation. It is the function of Government to secure from the people, from time to time, such revenue as will meet ordinary expenditure and as much more as necessity and wisdom dictate. It will always, I presume, be a debatable question what portion of war expenditures should be paid from current taxation, but any principle is subject to variation according to the period over which the war is prolonged, the volume of expenditure and the population and resources of a country. Again, inevitably there must be wide differences of opinion as to the form and degree of taxation that shall prevail. One might safely say that no system of taxation should be in force which has a repressive effect on production and trade, or as some one has said, no tax should paralyse industry of any kind, hamper enterprise, or breed discontent among our people, but that none should be avoided which are essential to provide the revenue required and that will distribute the incidence of taxation as equitably as conditions and experience dictate. Again, it is

claimed, and with considerable force, that excessive taxation will deplete the source for investment in Government War Bonds which we must possess. It is comparatively easy to enunciate such principles as applicable to taxation, but in the trying circumstances and conditions which confront us it is a difficult task to provide any general scheme of taxation which shall completely fall within the rules I have just outlined. We are confronted by conditions, not theories. Many accepted economic principles of trade and taxation are by force of conditions impossible of application to-day. It is further to be observed about taxation that whether you increase or decrease any taxation it is becoming exceedingly difficult to determine whether the purposes of revenue shall be accomplished or not. With the limitations and restrictions in export and import trade and even upon productions throughout the entire world, with embargoes, licenses and fixation of prices with the transportation agencies of most countries largely under governmental control, and subject to traffic priorities; with increasing production costs, increasing wages, and contracting labour markets; with the tremendous demand for raw materials for war purposes, and with problems of exchange, one would be bold indeed to prophesy the course of the currents of our trade and commerce from day to day, or the net results and effects of any taxation proposals.

For the reasons which I have just stated, and others, I should not be surprised to find at the end of the fiscal year a considerable reduction in revenue from Customs and Excise as compared with last year and upon the present rates. The prohibition of the importation of spirits and beer during the war will alone entail an annual loss to revenue of over \$15,000,000. With increasing interest and pension charges, due to war, we must, of necessity, from time to time, impose fresh taxation to supplement our revenues.

Since Parliament last met, and during the recess, two taxation measures were enacted by Order in Council. These relate to the Canadian Pacific railway and to the meat packing and cold storage industry. Copies of these Orders in Council have been laid upon the table of the House, but I might be permitted, in fact it is perhaps my duty, to state to the House the effect of these taxation measures.

By the Order in Council, which is effective during the war, from January 1, 1918, we shall receive from the Canadian

Pacific Railway one-half of the net earnings of that company from its railway operations after payment of fixed charges and dividends and as well the income tax on the company's special income received from sources outside of railway earnings. It is further provided that the total amount to be paid each year shall not be less than the amount which the net earnings exceed the earnings for the year ending December 31, 1917, due to the increase in freight and passenger rates granted by the Order in Council of December 26, 1917, and further, it shall not be less than the company's net earnings in any year from railway operations, in excess of ten per cent on its common stock up to \$7,000,000. We estimate a revenue of \$7,000,000 and possibly more from this source this year. In respect of the Order in Council relating to the packing industry, it is provided that the packers shall retain in addition to 7 per centum per annum upon the invested capital one-half of any excess up to fifteen per cent, the balance being payable to the Receiver General. The revenue to be derived from this source, is of course dependable on the volume of business carried on during the year by the industry and the profit, which is hardly capable of estimate at the moment.

Mr. MURPHY: That Order in Council was not retroactive?

Mr. A. K. MACLEAN: I do not think that Order in Council was retroactive.

The Business Profits War Tax Act 1916 is not applicable to this calendar year unless clause three of the Act is revived, which we propose doing. From this tax we received of revenue \$12,506,516 the first year, and \$21,271,283 the second year. For the third accounting period of 1917, the returns are only receivable on or before the first of July, 1918. A safe estimate of revenue for that period is \$25,000,000, which if realized will make a total of \$58,771,799 received from the Business Profits War Tax for the three accounting periods. It is proposed to amend clause five of the Act, which limits the businesses to be taxed to those employing capital to the amount of \$50,000 and over. The amendment will provide that businesses employing capital of \$25,000 and up to \$50,000 shall be subject to taxation, but at a lower rate. The rate of taxation shall be twenty-five per cent of the amount by which the profits exceed ten per cent, the rate being applicable alike to

incorporated companies and any other business employing the stated amounts of capital.

Important amendments to the Income Tax Act are proposed. The exemption in the case of unmarried persons is to be reduced from \$1,500 to \$1,000 and for married persons from \$3,000 to \$2,000, the rate to be two per cent from \$1,000 and up to \$1,500 in the case of unmarried persons and widows, or widowers without dependent children, and two per cent from \$2,000 and up to \$3,000 in the case of all other persons.

The present supertax is to be continued as at present up to incomes of \$50,000, at which point a new classification and rate is proposed, and which is as follows: From \$50,000 and up to \$75,000, fifteen per cent; from \$75,000 and up to \$100,000, twenty per cent; from \$100,000 and up to \$200,000, twenty-five per cent; from \$200,000 and up to \$400,000, thirty per cent; from \$400,000 and up to \$600,000, thirty-five per cent; from \$600,000 and up to \$800,000, forty per cent; from \$800,000 and up to \$1,000,000, forty-five per cent; and all over \$1,000,000, fifty per cent.

In addition to the normal tax and supertax, it is proposed during the war to enact a war surtax, assessable up to and inclusive of the calendar year in which the war ends, upon the tax payable, as follows: On incomes from \$6,000 to \$10,000, five per cent; on income in excess of \$10,000 and not exceeding \$100,000, ten per cent; on income in excess of \$100,000, and not exceeding \$200,000, fifteen per cent, and upon all incomes in excess of \$200,000, thirty-five per cent.

At the last session of Parliament the Minister of Finance was strongly urged to provide an exemption for each child in the family of a married person liable under the Income Tax Act. During the recess, and before he left Ottawa in January last, he had given careful consideration to these representations, and he concluded that some exemption in such cases should be made. Accordingly, an amendment to the Act is to be submitted providing for an exemption of \$200 for each child under the age of sixteen years. This amendment is not retroactive, and is not applicable to the Income Tax payable for the year 1917.

The Corporation Income Tax, now four per cent, is to be increased to six per cent. Other minor amendments are proposed, but I need not detain the House with them at this time.

The computation of the Income Tax is difficult, and in order that the House may clearly understand the effect of the proposed amendments, I shall illustrate the same by a statement showing the present and proposed tax payable in the case of a married person. The first figure I shall read shall be the income, next the present taxation, and lastly the proposed taxation.

Income.	Married Persons. Present Tax.	Married Persons. Proposed Tax.
3,000	Nil	20
6,000	120	140
10,000	360	392
20,000	1,260	1,382
30,000	2,460	2,702
50,000	5,260	5,782
75,000	10,000	11,007
100,000	14,760	17,607
200,000	43,760	50,957
400,000	101,760	142,757
500,000	130,760	195,407
600,000	159,760	248,057
800,000	217,760	366,857
1,000,000	275,760	499,157
2,000,000	565,760	1,228,157

We propose to increase the excise duties payable on manufactured tobacco from 10 cents to 20 cents per pound; on cigars from \$3 to \$6 per thousand; on cigarettes from \$3 to \$6 per thousand; on foreign raw leaf tobacco from 28 cents to 40 cents per pound; on foreign raw leaf tobacco, stemmed, from 42 cents to 60 cents per pound. We also propose to establish an excise duty of 5 cents per pound on raw leaf tobacco grown in Canada, allowing the Canadian grower a sufficient quantity for his own use without payment of duty thereon.

We also deem it expedient to place a Customs tax of ten cents per pound upon tea. The importations of tea for consumption in Canada amount to about thirty million pounds per year, a per capita consumption of a little more than four pounds per annum. An excise duty of 10 cents per pound shall also be imposed on all tea held by importers and dealers, on the 30th day of April, instant, and on that day unsold, in excess of one thousand pounds. The importations of tea during the past three months have been equal to half the importations for the year 1917.

The imposition of a specific duty of 10 cents per pound on tea, necessitates changes in the Customs duties upon coffee and chicory, in order to place the taxation upon these articles on a parity with the taxation upon tea. The principal change in the

taxation upon coffee relates to green coffee. The Customs tariff upon green coffee is, British Preferential Tariff, $2\frac{1}{4}$ cents per pound, and General Tariff, 3 cents per pound. It is proposed that the British Preferential Tariff be 5 cents and the General Tariff 7 cents per pound. The coffee tariff items are covered by the West Indies Agreement and the Preferential rate for coffee from the West India Islands, which were parties to the agreement, must be at least 20 per cent below the General Tariff rate. This has been provided for in the several tariff changes in respect of coffee. Changes in the Customs rate of duty payable on tobacco, cigars and cigarettes, compensating for the increases in the excise tax upon these articles, will be submitted.

It is also proposed to increase the duties payable on beverages which require malt, rice or corn in their manufacture and when containing not more than $2\frac{1}{2}$ per centum of proof spirit. The present rate of duty upon this commodity is $17\frac{1}{2}$ per cent, plus the War Tariff Rate of $7\frac{1}{2}$ per cent, or about 25 per cent ad valorem, and it is proposed to raise the rate of duty to 40 per cent ad valorem.

The resolutions which I shall submit at the close of my remarks will provide for the repeal of the special war tax rates on sleeping car berths, and shall substitute the rate of 10 per cent of the price paid for each berth, with a minimum rate of 25 cents; and for the increase from 5 cents to 10 cents of the tax on parlour car seats; they shall provide for an excise tax of 1 cent per hundred on matches, or fractional parts thereof; an excise tax of 8 cents on each pack of playing cards; and a specific rate of Customs duty of 5 cents per lineal foot upon moving picture films.

The resolutions shall also provide for a special war excise tax of 10 per cent upon the selling value of automobiles, jewellery, gramophones, graphophones, phonographs, talking machines, mechanical piano and organ players and records when imported into or manufactured in Canada. The tax upon automobiles is applicable to all imported into or manufactured in Canada and unsold this day. Such are the taxation proposals, and other than I have stated no tariff changes are proposed.

In conclusion, let me say that we may safely look to the future with courage and fortitude. Happy are our conditions in comparison with those of the belligerent countries of Europe.

Armies do not contend for mastery upon our soil. Our undeveloped resources are tremendous. Immigration has been temporarily arrested, but shortly after the war we shall resume our growth of pre-war days and our financial burdens shall not then appear so onerous. We have assumed enormous responsibilities and we shall discharge them in the manner befitting our country, our cause and our race. The future of our country as well as the fate of civilization and democratic institutions will depend upon the result of this war, and no price is too high to pay for victory. We have already played a distinguished and noble part in the titanic struggle of the warring nations, and it shall not diminish for the lack of resources to be furnished by our people. We shall face coming events not without anxiety, not without a clear realization of our task, but with a strong resolve to use our strength to the utmost, confident that our Canadian people will patriotically and cheerfully provide for our expenditures, and the ways and means to support and sustain our gallant army in its stand for the political institutions which we cherish and which we pray shall not perish from the earth.

RESOLUTIONS.

I beg to give notice that upon the House resolving itself into committee I shall move the following resolutions:—

1. Resolved, that it is expedient to amend Schedule A to The Customs Tariff, 1907, as amended by Chapter 5 of the Acts of 1914, second session, and by Chapter 3 of the Acts of 1915, and to strike thereout tariff items:—

24, 25, 25a, 26, 27, 28, 28a, 29, 29a, 143, 144, 145, the several enumerations of goods respectively and the several rates of duties of Customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:—

Tariff Items.	-	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
24 Chicory, raw or green, per pound		5 cents.	7 cents.	7 cents.
25 Chicory, kiln-dried, roasted or ground, per pound	8	"	10	"
25a Coffee, extract of, n.o.p., and substitutes thereof of all kinds, per pound	9	"	12	"
26 Coffee, roasted or ground, and all imitations thereof and substitutes therefor, including acorn nuts, n.o.p., per pound	8	"	10	"
27 Coffee, roasted or ground, when not imported direct from the country of growth and production, per pound	8	"	10	"
		and 7½ p.c.	10 p.c.	10 p.c.

Tariff Items.	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
28 Coffee, green, imported direct from the country of growth and production, and green coffee purchased in bond in the United Kingdom, per pound..	5 cents.	7 cents.	7 cents.
28a Tea imported direct from the country of growth and production, and tea purchased in bond in the United Kingdom, per pound	10 "	10 "	10 "
When in wrappings, cartons or packages weighing five pounds or less the weight of the wrappings, cartons or other packages to be included in the weight for duty.			
29 Coffee, green, n.o.p., per pound..	5 " and 7½ p.c.	7 " 10 p.c.	7 " 10 p.c.
29a Tea, n.o.p., per pound	10 cents. and 10 p.c.	10 cents. 10 p.c.	10 cents. 10 p.c.
When in wrappings, cartons or other packages weighing five pounds or less the weight of the wrappings, cartons or other packages to be included in the weight for duty.			
143 Cigars and cigarettes, the weight of cigars to include bands and ribbons, and the weight of cigarettes to include the paper covering, per pound	\$4.10 and 25 p.c.	\$4.10 25 p.c.	\$4.10 25 p.c.
144 Cut tobacco, per pound	95 cents.	95 cents.	95 cents.
145 Manufactured tobacco, n.o.p., and snuff, per pound	90 "	90 "	90 "
147a Beverages in the manufacture of which malt, rice or corn is used when containing not more than two and one-half per centum of proof spirit....	25 p.c.	40 p.c.	40 p.c.
657a Cinematograph or moving picture films, positives, one and one-eighth of an inch in width and over, per linear foot.....	3½ cents.	5 cents	5 cents.

2. Resolved, that it is expedient to provide that the provisions of the foregoing resolutions shall be deemed to have come into operation on the first day of May, one thousand nine hundred and eighteen, and to apply and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to such goods previously imported for which no entry for consumption was made before that day.

1. Resolved, that it is expedient to impose, levy and collect on tobacco and cigars manufactured in Canada the following duties of excise:—

(a) On all chewing and smoking tobacco, fine-cut, cavendish, plug or twist, cut or granulated, of every description,—on tobacco twisted by hand or reduced into a condition to be consumed or in any manner other than the ordinary mode of drying and curing, prepared for sale or consumption, even if prepared without the use of any machine or instrument and without being pressed or sweetened,—and on all fine-cut shorts and refuse scraps, cuttings and sweepings of tobacco made from raw leaf tobacco or the product in any form, other than in this Act otherwise provided, of raw leaf tobacco, twenty cents per pound, actual weight;

(b) On common Canada twist, when made solely from tobacco grown in Canada, and on the farm or premises where grown, by the cultivator duly licensed therefor, or in a licensed tobacco manufactory, twenty cents per pound, actual weight;

(c) On all snuff made from raw leaf tobacco, or the product in any form of raw leaf tobacco or any substitute for tobacco, ground, dry, scented or otherwise, of all descriptions, when prepared for use, twenty cents per pound, actual weight;

(d) Snuff flour, when sold or removed for use or consumption, shall pay the same duty as snuff, and shall be put up in packages and stamped in the same manner as herein prescribed for snuff completely manufactured, except that snuff flour not prepared for use, but which needs to be subjected to further processes, by sifting, pickling, scenting or otherwise, before it is in a condition fit for use or consumption may be sold by one tobacco manufacturer directly to another tobacco manufacturer, and without payment of the duty, under such regulations as are provided in that behalf by the department;

(e) On cigars of all descriptions, made from raw leaf tobacco, or any substitute therefor, six dollars per thousand;

(f) On all cigars, when put up in packages containing less than ten cigars each, seven dollars per thousand;

(g) On cigarettes made from raw leaf tobacco or any substitute therefor, weighing not more than three pounds per thousand, six dollars per thousand;

(h) On cigarettes made from raw leaf tobacco or any substitute therefor, weighing more than three pounds per thousand, eleven dollars per thousand;

(i) On all foreign raw leaf tobacco, unstemmed, taken out of warehouse for manufacture in any cigar or tobacco manufactory, forty cents per pound, computed according to the standard of leaf tobacco as hereinbefore established;

(j) On all foreign raw leaf tobacco, stemmed, taken out of warehouse for manufacture in any cigar or tobacco manufactory, sixty cents per pound, computed according to the standard of leaf tobacco as hereinbefore established;

(2) In all tobacco manufactories where less than fifty per cent of Canadian raw leaf tobacco is used, and where ten per cent, or more, of other materials is used, such materials shall be subject to a duty of twenty-three cents per pound actual weight.

2. Resolved, that it is expedient to provide that no person shall grow tobacco in Canada in excess of the amount or for purposes other than those mentioned in section three hundred and twenty-five of the Inland Revenue Act without a license, that a fee of two dollars be paid for such license and that a tax of five cents a pound be collected on all tobacco grown with the exception aforesaid.

3. Resolved, that any enactment founded on the preceding resolutions shall be deemed to have come into force on the first day of May, nineteen hundred and eighteen.

Resolved, that it is expedient to amend The Special War Revenue Act, 1915, and to provide that the tax to be paid by purchasers of a berth in a sleeping car be increased to ten per cent of the price for each berth, but in no case shall the tax be less than twenty-five cents for each berth and that the tax for a seat in a pullman or par-lour car be increased to ten cents for each seat; that the definition of the word "Consumer" be amended so as to include a person who buys the articles mentioned for any purpose; that medicinal preparations and compositions excepted at the end of section fourteen be limited to those sold under the name used for them in the publications mentioned in the said section or any preparation manufactured and sold exclusively for the medical profession and on the labels of which no claim is made that the preparation has medicinal or curative powers or any description as to the amount that constitutes a proper dose; that manufacturers and importers of matches and playing cards be required after the thirtieth day of April, 1918, to affix to each package of matches and playing cards an adhesive stamp of the value of one cent for each one hundred matches or fractional part thereof in a package and of the value of eight cents on each package containing not more than fifty-four playing cards, and that such stamps be placed upon all packages of matches and playing cards held by dealers for sale on the first day of July, 1918, and that such stamps need not be affixed to packages of matches or playing cards manufactured for export; that there be levied a war excise tax equal to ten per cent upon automobiles, gramophones, graphophones, phonographs, talking machines, cylinders and records therefor, mechanical piano and organ players and records therefor, articles commonly or commercially known as jewellery, whether real or imitation, for adornment of the person, when manufactured or imported after the thirtieth day of April, 1918, on the duty paid value when imported and on the price when manufactured and sold, provided that such war excise tax shall not be payable when the articles are manufactured for export or in the case of jewellery where the total amount of jewellery manufactured by any one person does not exceed the value of one thousand dollars in any calendar year; that a war excise tax be collected upon all automobiles and jewellery imported into Canada for sale or manufactured in Canada on or before the thirtieth day of April, 1918, and which on that day have not been sold to bona fide users, of ten per centum of the amount of the duty paid value when imported and of ten per centum of the price when they have been manufactured and sold in Canada, but that no war excise tax be collected upon the same when manufactured for export in accordance with regulations; and that no war excise tax be collected on jewellery imported or manufactured and unsold on the thirtieth day of April, 1918, where the total duty paid value or price of the entire stock of the same held by any one person does not exceed one thousand dollars; and that there be levied a war excise tax of ten cents per pound on all tea entered at Customs on or before the thirtieth day of April, 1918, and held by importers or dealers and which on that day had not been sold, where the stock of such importers or dealers exceeds one thousand pounds.

Resolved, that it is expedient to amend The Business Profits War Tax Act, 1916, and to provide that paragraph (c) of Section three be repealed; that any business having a capital of not less than twenty-five thousand dollars and under fifty thousand dollars shall pay a tax of twenty-five per centum of the amount of the profits exceeding ten per cent per annum upon the capital; that the amount paid or payable under the provisions of Part I of The Special War Revenue Act, 1915, and the Income Tax Act, 1917, shall be deducted from the amount payable under the provisions of the above Act, and that computing the profits of such no taxpayer shall include any tax paid under the said Acts in the expenses of his business; that the amount of capital

in the excepted business mentioned in Paragraph (a) of section five of the Business Profits War Tax Act, 1916, be reduced from fifty thousand dollars to twenty-five thousand dollars; that dividends paid during the accounting period shall be considered as a reduction of the unimpaired reserve, rest or accumulated profits; that the provisions of section three of the last-mentioned Act be continued in force to the thirty-first day of December, 1918.

Resolved, that it is expedient to amend the Income War Tax Act, 1917, and provide that "dependent child" shall mean a child under twenty-one years of age and dependent on its parent for support or over twenty-one and dependent on its parent for support on account of physical or mental incapacity; that paragraph (b) of section three be repealed and that an exemption of two hundred dollars be allowed for each dependent child under sixteen years of age; that paragraph (d) of section three be amended by striking out the words "or from the net earnings"; that subsections one and two of section four be repealed and that it be provided that there shall be assessed, levied and paid upon the income during the preceding year of every person residing or ordinarily resident in Canada or carrying on any business in Canada and upon the income received by any person from any source within Canada the following taxes:—

(a) two per centum upon all incomes exceeding one thousand dollars but not exceeding fifteen hundred dollars in the case of unmarried persons and widows or widowers without dependent children, and exceeding two thousand dollars but not exceeding three thousand dollars in the case of all other persons; four per centum upon all incomes exceeding fifteen hundred dollars in the case of unmarried persons and widows or widowers without dependent children, and exceeding three thousand dollars in the case of all other persons;

and in addition thereto,

(b) two per centum upon the amount by which the income exceeds six thousand dollars and does not exceed ten thousand dollars; and

(c) five per centum upon the amount by which the income exceeds ten thousand dollars and does not exceed twenty thousand dollars; and

(d) eight per centum of the amount by which the income exceeds twenty thousand dollars and does not exceed thirty thousand dollars; and

(e) ten per centum of the amount by which the income exceeds thirty thousand dollars and does not exceed fifty thousand dollars; and

(f) fifteen per centum of the amount by which the income exceeds fifty thousand dollars and does not exceed seventy-five thousand dollars; and

(g) twenty per centum of the amount by which the income exceeds seventy-five thousand dollars and does not exceed one hundred thousand dollars; and

(h) twenty-five per centum of the amount by which the income exceeds one hundred thousand dollars; and does not exceed two hundred thousand dollars; and

(i) thirty per centum of the amount by which the income exceeds two hundred thousand dollars and does not exceed four hundred thousand dollars; and

(j) thirty-five per centum of the amount by which the income exceeds four hundred thousand dollars and does not exceed six hundred thousand dollars; and

(k) forty per centum of the amount by which the income exceeds six hundred thousand dollars and does not exceed eight hundred thousand dollars; and

(l) forty-five per centum of the amount by which the income exceeds eight hundred thousand dollars and does not exceed one million dollars; and

(m) fifty per centum of the amount by which the income exceeds one million dollars;

and in addition thereto the following surtax,

(n) five per centum of the tax payable upon income in excess of six thousand dollars but not exceeding ten thousand dollars;

(o) ten per centum of the tax payable upon income in excess of ten thousand dollars but not exceeding one hundred thousand dollars;

(p) fifteen per centum of the tax payable upon income exceeding one hundred thousand dollars but not exceeding two hundred thousand dollars;

(q) thirty-five per centum of the tax payable upon income exceeding two hundred thousand dollars;

that corporations and joint stock companies, no matter how created or organized, shall pay six per centum upon income exceeding three thousand dollars, but shall not be liable to pay the supertax; that the minister may permit any corporation or joint stock company the fiscal year of which is not the calendar year, to make a return and to have the tax payable by it computed upon its income for the twelve months ending with its last fiscal year preceding the date of assessment; that section five be amended by exempting the incomes or such portion of the incomes of judges and retired judges as comes within the provisions of subsection three of section twenty-seven of the Judges Act and the incomes of incorporated companies whose business and assets are carried on and situate entirely outside Canada.



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BUDGET SPEECH

DELIVERED BY

HON. SIR THOMAS WHITE, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

THURSDAY, JUNE 5,

1919



OTTAWA

J. DE LABROQUERIE TACHÉ

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

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OTTAWA
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BUDGET SPEECH

DELIVERED BY

HON. SIR THOMAS WHITE, M. P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, JUNE 5, 1919

WAYS AND MEANS—THE BUDGET.

Hon. Sir THOMAS WHITE (Minister of Finance) moved:

That the Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, this motion affords me the opportunity of presenting the Budget for the consideration of the House. It is usual in such presentation to deal with the important topics of the financial position of the Dominion, the condition of our trade, domestic and foreign, the state of our revenues and expenditures for the past and, so far as can be estimated, for the coming year, and to submit the fiscal measures which the Government deems essential having regard to the situation disclosed.

This is the general course along which my remarks of to-day will proceed, but in view of the special circumstances in which Canada in common with the rest of the world finds itself, I hope I may be pardoned if I dwell upon the various subjects which I have mentioned at somewhat greater length, and in more detail, than has been my custom in previous Budgets which I have had the honour to present to Parliament.

The war is over and all nations are engaged in counting the cost, estimating the condition in which their finance and trade have been left after the fiery tempest which has passed over the world, and devising ways and means to repair the ruin which has been wrought.

It seems to me that what the House and the people of Canada will first desire to learn from the Budget speech will be what has been the cost of the war to Canada, what is our present financial position, what it will be when demobilization has taken place and our war expenditure is completely at an end, and what are the additional annual charges which must be met as the result of the war.

To these topics I shall first address myself. The fiscal year of the Dominion closes on March 31st. According to our system some time is required for the completion of the services and bringing into account of all items attributable to the year closed on that date, but a fairly accurate forecast may be given of what the completed accounts will reveal.

COST OF THE WAR.

With regard to the cost of the war to the Dominion, the books of the Finance Department show as of March 31 last a total principal war expenditure of \$1,327,273,848. The portions incurred in respect of the several years during the continuance of the war are as follows:

\$ 60,750,476 for 1914-15
\$166,197,755 for 1915-16
\$306,488,814 for 1916-17
\$343,836,801 for 1917-18
\$450,000,000 for 1918-19

Over the same fiscal period, namely from April 1, 1914, to March 31, 1919, the total expenditure upon ordinary account, that is to say, the current outlays of the Dominion in respect of its various services aggregated \$832,757,589. The expenditure upon capital and other accounts for which by the practice of all our Governments provision might properly be made by borrowing, and for which assets of equivalent value were created for the permanent benefit of the people of Canada, amounted during the five years in question to \$180,277,873.

Leaving capital expenditure aside and applying the surplus available from our revenues over and above the amount required to meet current outlays it will appear that we have met the principal cost of the war from taxation to a total aggregate amount of \$275,943,977. If we take into account the amount contributed during the five-year period for interest upon war debt and for pension charges the total paid from revenue on account of the war to March 31, 1919, is \$438,293,248.

Now let us approach the subject from another angle. Aside from the cost of the war and how that cost was met, the vital question before us to-day is what is the amount of the total net national debt of Canada and how does it compare with the net debt at the end of the fiscal year immediately preceding the war.

On March 31, 1914, the net national debt was \$335,996,850. On March 31, 1919, the net national debt was \$1,584,000,000.

There remains to be considered what further increase in the national debt will be made during the present fiscal year which will end on March 31, 1920.

The war, so far as actual fighting is concerned, was terminated by the armistice of November 11 last; but the expenditures

connected with the maintenance of the Canadian Corps in Continental Europe, their gradual return, first to England, and then to Canada, their demobilization here, and the provisions made by the Government by way of war gratuity to enable members of the Canadian Expeditionary Force to bridge over the period of their re-absorption into civil life have still continued, and will continue over the greater part of the year.

In reality the present year is, so far as expenditure is concerned, a war year. It is impossible to estimate accurately what our demobilization expenditure for 1919-20 will be, but we may be sure that it will not be materially less than \$300,000,000.

There is a further important item of our war expenditure which must be taken into account but which at present it is not possible to estimate with accuracy. I mean the additional cost to Canada of our share of the increased expenditure for ammunition at the front from September 1, 1917, to the close of the war.

NET NATIONAL DEBT.

Assuming that we shall not be able, in view of the magnitude of our reconstruction programme, to pay any substantial part of our demobilization expenditure from revenue, we may calculate that when demobilization is complete and no further outlays are necessary on what I may call the principal of our war expenditure the total net debt of Canada will stand at not less than \$1,950,000,000, or in round figures \$2,000,000,000. This contrasts with \$335,996,850 the net debt of Canada at the end of the fiscal year 1914. The increase during the five-year war period is thus shown in round figures at \$1,614,000,000.

This then is the financial position so far as relates to the national debt. While the amount is large and averages over \$220 per head of the population of Canada it will be remembered that Canada was in the war from the first day and that by comparison with the present net national debts of European governments including Great Britain, who were similarly participants in the conflict during its entire length, our position, having regard to relation of debt to number of population, and to national resources, must be regarded as distinctly more favourable.

Mr. Speaker, I do not in the least desire to minimize the gravity of so great a debt as now confronts us on the threshold of the new era upon which we are entering. It will constitute a burden upon the people of Canada for generations to come. Fighting for the principles for which we stood we could not and did not count the money cost which is really the least part of our sacrifices in the war. The realization that at the greatest crisis

in all history when the fate of world freedom was trembling in the scale of destiny, this gallant country of eight million people put its all to the hazard in the mightiest of conflicts for the cause of truth and justice, will be the lofty inspiration to greater effort which will enable Canada to carry and ultimately extinguish the heavy obligations entailed by the war.

What portion of this indebtedness and of the obligations we have incurred with respect to pensions and other services arising out of the war we shall be able, under the peace settlement, to obtain by way of indemnity from Germany and her Allies I am unable to say, but it would be imprudent to treat expectation in this regard as an asset upon which we may with certainty depend. It is better to face our debt and other war liabilities as they stand and assume that we must be prepared to bear their full burden by our own strength and from our own resources.

OUR WAR LOAN ISSUES.

In considering the subject of our national debt an important aspect from the viewpoint of its bearing upon our financial standing and credit is whether it is owed to our own people or abroad. While national debt, no matter where owed, is debt, it makes a great difference to national strength whether it is held within the country itself, that is to say, whether the people regarded in the aggregate owe it to individual members of the community holding their own Government's securities, or whether it is owed to citizens of other nations. From the national standpoint a public debt owed to a nation's own people is not nearly so serious an obligation as if owed abroad. The interest paid upon it is disbursed at home and remains part of the national resources. When the principal is paid there is a transfer of wealth from the Government to its own citizens which still remains an asset of the community viewed as a national unit. But if the debt is held abroad, every interest and principal payment diminishes the resources of the debtor nation and increases those of the creditor nation. In this respect and bearing especially in mind the fact that before the war Canada's borrowing for federal, provincial, municipal and business purposes was principally in Britain and the United States and not in Canada, the situation as to our national debt may be regarded with satisfaction.

In round figures the total outstanding securities of the Dominion Government are held as follows: in Great Britain, \$362,700,000; in the United States, \$150,873,000; in Canada, \$1,510,000,000.

Some hon. MEMBERS: Hear, hear.

From this statement the House will see how necessary it was to issue long date securities even at war rates of interest. If we had to face the maturity of so vast a principal amount as is represented by our war borrowings in Canada within a period of five or ten years after the war, I may frankly say that the solution of such a problem would tax to the utmost the resource of any Minister of Finance. But with the various maturities spread over so long a period of years, ample time is afforded to adopt whatever measures may be needed to meet the redemption of each loan as it matures.

August 1st, 1919..	\$75,000,000
April 1st, 1921..	25,000,000
April 1st., 1926..	25,000,000
April 1st, 1931..	25,000,000
August 1st, 1935..	873,000

October 1, 1919..	\$24,605,000
October 15, 1919..	49,215,000

In Canadian banks..	\$ 135,000,000
In Bank of Montreal, London.. . . .	10,000,000
In Bank of Montreal, New York.. . . .	4,414,047
Amount to be received on account of last Victory Loan..	55,000,000

(1639) 2

On account of this being, as respects expenditure, a war year, we shall have to float at least one further loan in Canada for purposes connected with the war and demobilization. Any necessary external financing to meet loans maturing outside of Canada will receive timely attention.

As the aggregate of our war issues exceeds our net war expenditure it is to be pointed out that during the war we were enabled to make advances to Great Britain for her purchases in Canada to a greater extent than we availed ourselves of advances from the Imperial Government to meet our war expenditure in England and on the continent. The result is that there is owing to us by the Imperial Government a balance, after making the necessary set-offs, of about two hundred and thirty million dollars. This is subject to reduction by the unascertained amount which we shall pay in respect of increased charges for ammunition at the front since September 1, 1917. An inquiry is now being made for the purpose of adjusting this charge.

DOMINION NOTES OUTSTANDING.

The following information will be of interest to the House as to Dominion note issues at the close of the war:—

Total Dominion Notes outstanding March 31, 1919...\$298,058,697.67
Of which \$153,630,697.67 is secured to the amount of \$116,014,654.37 in gold reserve and \$144,428,000 by securities.

Our gold is thus 38·92 per cent of the total issue of \$298,058,697.67, and 75·52 per cent of the \$153,630,697.67 against which no securities other than gold are held.

A comparison with the note issues of Great Britain and the other Allies, including United States which was less than two years in the war, is such as to cause satisfaction to Canada with respect to the post-war condition of our currency.

The policy will be to gradually restore our note issue to the statutory condition, which requires us to hold in gold 25 per cent up to fifty million dollars of note issue and dollar for dollar for any further issue. This can be done by buying gold on the one hand, or on the other by retiring outstanding notes from time to time from the proceeds of loans or from revenue. It will be a long time before the currency inflation of the world will be abated.

The figures which I have given show the increase in the national debt of Canada due to the war. Interest must, of course, be paid annually upon this debt, and I have had a careful estimate made as to the yearly burden which this will entail.

ANNUAL DEBT AND PENSION CHARGES.

Assuming the total debt of Canada on March 31, 1920, to be \$1,950,000,000, the estimated annual interest charge will be approximately \$115,000,000. This compares with \$12,893,504, which was the interest charge upon the national debt as of the fiscal year ended March 31, 1914.

But the added annual burden due to the war does not rest there. There is the further responsibility for pensions to our soldiers and their dependents. For the past fiscal year the amount paid on this account was \$17,460,000. For the present fiscal year it may reach \$30,000,000. For a generation or more to come we may look forward to providing, say, \$35,000,000 to \$40,000,000 per annum for pensions. In addition there will be the annual expense for maintenance of hospitals, convalescent homes, and other services established for the aid and comfort of our soldiers. No national expenditures will, I am sure, be more gladly borne than these by the people of Canada, who will never fail to appreciate the sacrifices made on their behalf by those who fought for Canada in the great war.

Having indicated the extent of the financial burden which the war has imposed upon us, it seems advisable to pause to inquire how that burden is to be met. What are the resources upon which Canada must depend to carry this huge national debt and the annual charge for pensions and other services which I have mentioned? We are to-day a prosperous community of high average productivity. I am not prepared to say that even without extraordinary effort we should not be able to merely carry along the extra financial burden imposed by the war. But its magnitude must not be minimized, and it is for us to consider and put into effect such policies as may be appropriate to counteract the disadvantage under which we shall labour in this regard and to insure the continued prosperity of our people, notwithstanding this great national handicap upon their exertions. In this connection we should undoubtedly have in mind the gradual extinction over a long course of years of the debt by a sinking fund provision to be put into effect as soon as possible after the conclusion of the present year. With this I do not intend to deal further for the present.

What are our resources, actual and potential, from which we can carry the interest, pensions, and other war charges, and gradually extinguish our indebtedness due to the war?

We have a country of almost unlimited natural assets, vast stretches of cultivable lands, magnificent forests, regions abounding in mineral wealth, and fisheries the most valuable in the world. We have a highly intelligent, energetic enterprising people of great stability of character and ardent aspir-

ation for national and individual success. To develop our natural resources there is required the application of enterprise, capital, and labour. To sell our products we require markets, domestic and foreign.

Let us for a moment consider some of the policies which are essential for the realization of the development I have outlined. Our ability to meet and retire our war obligations will depend upon our power to increase our production of natural and manufactured commodities and to economize individually so as to bring about each year substantial increase in domestic wealth and savings and a more favourable balance in our international trade. In other words, the motto for the future, as it was for the war, must be "Produce and Save."

DEPOSITS IN CHARTERED BANKS.

As evidencing what can be done by Canada in the way of national saving, I can not do better than give the following statistics of deposits, demand and notice, in our chartered banks for the years 1913 to 1919, inclusive:—

As at March 31.	Demand Deposits.	Withdrawable on Notice.	Total.
1913.. ..	\$357,756,659	\$ 630,434,708	\$ 988,191,367
1914.. ..	350,884,153	665,994,852	1,016,879,005
1915.. ..	406,735,171	714,219,286	1,120,954,457
1916.. ..	459,277,454	836,593,269	1,295,870,723
1917.. ..	538,869,362	1,008,657,874	1,547,527,236
1918.. ..	666,366,359	939,329,271	1,605,695,630
1919.. ..	566,797,268	1,037,851,766	1,604,649,034

The bank deposits in Canada almost doubled in the six-year period from 1913 to 1919. In connection with these figures, there should also be taken into account the subscription by the Canadian people to the war loans floated in Canada and paid for by withdrawal of their deposits in our chartered banks and other financial institutions.

To greatly increase our production we need more population and particularly that class which will engage in our basic industries. Our immigration policy is therefore of prime importance. We must fill up our vacant cultivable lands. In the past we have not been sufficiently selective in our immigration. We are so amending our laws as to ensure that the destinies of this country will always be controlled by those who may be depended upon as loyal and patriotic citizens of Canada, ready at all times to take up arms in her defence no matter from what source aggression may come. It is interesting to note that during the war immigration, likely to result in increased production, continued, although on a comparatively small scale. The figures are as follows:—

Immigration for 1914-15.. ..	144,789
" " 1915-16.. ..	48,537
" " 1916-17.. ..	75,374
" " 1917-18.. ..	79,074
" " 1918-19.. ..	57,702

Since March 31 last immigrants to the number of 12,000 have entered Canada.

As a great food-producing country Canada is bound always to enjoy agricultural prosperity. The war has caused the death of millions of the rural workers of Europe, devastated vast tracts of cultivated lands, consumed the horses, cattle and other domestic animals, and destroyed the implements of tillage.

It must be many years before Europe is able to recover agriculturally from the effects of the war. In the meantime the hungry millions must be fed and it would seem certain that Canada's agriculture will not lack for profitable markets for all it can produce.

The yearly exportable surplus of the Dominion's grain and foodstuffs should go far towards ensuring most favourable trade balances for the future. For the reconstruction work in Europe our raw materials and their products must also be in demand. Every effort must be made to develop and expand our export trade in manufactured articles as well as in the immediate products of our fields, forests, and mines. The more highly finished the commodity the greater the price which it will bring to the Dominion. Our policy should be directed to ensuring so far as practicable the completion within Canada, in Canadian shops and mills, of manufacturing processes in order that we may obtain the benefit of the greater value of finished products as compared with that of raw materials or partly manufactured articles.

No doubt we shall be subject in this to the keenest international competition, and to succeed we shall require to avail ourselves of every assistance which can be legitimately afforded by the Government in obtaining information respecting, and access to, foreign markets, as well as transportation and financial facilities.

One most important asset which we possess as a result of the war is the increased capability of industrial production which was turned during the war to such remarkable purpose in the manufacture of munitions and other materials. In all departments of our national activity—agricultural, industrial, commercial and financial—the war discovered to the people of Canada a capacity in themselves for achievement which they would not have dreamed they possessed had not the pressure of emergency called forth their latent genius for organization, administration and efficiency. This higher capability among all classes should prove of the greatest value in enabling us to deal with our after-war problems and burdens.

As illustrating the **vast strides** made by our foreign trade during the war, the following statistical information is submitted.

STATISTICS OF CANADA'S TRADE.

In 1913 the balance of trade against us was \$300,000,000. In 1914 our total international trade was \$1,073,000,000, of which \$618,000,000 was in imports and \$455,000,000 in exports. For 1918 the total was \$2,550,000,000, of which \$962,000,000 was imports and \$1,586,000,000 exports. For 1919 the unrevised figures show a total of \$2,169,000,000, of which \$916,000,000 was imports and \$1,253,000,000 exports. It will thus appear that from an adverse balance of \$300,000,000 in 1913 and of \$160,000,000 in 1914, we had attained a favourable balance of over \$600,000,000 in 1918 and of \$340,000,000 for 1919. At the end of the five-year period from 1914 to 1919 our total trade had doubled, while for the year 1918, which marked the highest point, it aggregated $2\frac{1}{2}$ times the trade of 1914.

It must be kept in mind respecting these figures that the higher prices of our grain, foodstuffs and other exports, and of the goods which we imported, is a most important factor for consideration, and further that of our exports for 1918 and 1919 the estimated amount of ammunition, explosives and other war materials aggregated \$418,000,000 and \$260,000,000 respectively. The cessation of the manufacture of these articles and any fall in the price of commodities generally are bound to make serious changes in our trade aggregates unless offset by increased production. For the information of the House I here place upon Hansard the statistical details of our total trade, also details of our trade with the United Kingdom, with the United States, and of exports (by classes) of Canadian produce for the past six years; also of imports from and exports to the United Kingdom and the overseas Dominions, and the principal foreign nations with whom we traded for the past two years.

CANADIAN TRADE.

	Merchandise Only		Total Trade.
	Imports for Consumption.	Exports (Domestic and Foreign).	
Fiscal year ended Mar. 31—	\$	\$	\$
1913.....	670,089,066	377,068,355	1,047,157,421
1914.....	618,457,144	455,437,224	1,073,894,368
1918.....	962,543,746	1,586,169,792	2,548,713,538
1919 (unrevised).....	916,443,332	1,253,080,170	2,169,523,502

TRADE WITH THE UNITED KINGDOM.

	Imports for Consumption.	Exports (Canadian Produce).	Total.
Fiscal year ended Mar. 31—	\$	\$	\$
1913.....	138,741,736	170,161,903	308,903,639
1914.....	132,079,362	215,253,969	347,324,331
1918.....	81,302,403	845,480,069	926,782,472
1919 (unrevised).....	73,029,215	531,920,977	604,950,192

TRADE WITH THE UNITED STATES.

	Imports for Consumption.	Exports (Canadian Produce).	Total.
Fiscal year ended Mar. 31—	\$	\$	\$
1913.....	435,770,081	139,725,953	575,496,034
1914.....	395,565,328	163,372,825	558,938,153
1918.....	791,906,125	417,812,807	1,209,718,932
1919 (unrevised).....	746,940,654	454,923,170	1,201,863,824

IMPORTS AND EXPORTS BY COUNTRIES.

Countries.	Imports for Consumption (Merchandise only).		Exports (Domestic).	
	Year ended Mar. 31, 1918.	Year ended Mar. 31, 1919.	Year ended Mar. 31, 1918.	Year ended Mar. 31, 1919.
	\$	\$	\$	\$
United Kingdom.....	81,302,403	73,029,215	845,480,069	531,920,977
Australia.....	2,356,655	4,963,416	8,653,635	14,019,629
British South Africa... ..	553,362	1,300,259	5,065,658	11,992,299
British India.....	9,355,593	8,395,290	2,995,630	2,905,426
British Guiana.....	6,716,647	6,747,072	1,973,323	2,646,169
British West Indies... ..	10,550,550	8,082,790	6,838,563	9,829,072
Newfoundland.....	2,947,527	3,098,834	10,191,564	11,327,074
New Zealand.....	3,735,559	7,855,436	4,089,823	6,227,509
Other British Empire..	10,515,185	10,188,104	3,494,911	5,461,789
Total British Empire.	128,033,451	123,660,416	888,788,376	596,329,789
Argentine Republic.....	984,955	1,139,267	1,203,141	4,603,130
Belgium.....	12,973	6,270	4,909,453	9,950,318
Cuba.....	1,085,547	2,628,031	4,015,940	5,035,975
France.....	5,274,053	3,641,244	204,053,676	92,103,142
Italy.....	771,487	555,112	3,336,059	13,181,514
Japan.....	12,255,319	13,618,122	4,861,244	11,845,439
Netherlands.....	1,054,176	495,409	2,462,574	198,985
United States.....	791,906,125	746,940,654	417,812,807	454,923,170
Total Foreign Countries.	834,468,366	792,783,016	651,239,412	611,284,017
Grand Totals.....	962,501,817	916,443,432	1,540,027,788	1,207,613,806

EXPORTS OF CANADA, BY CLASSES.

	Canadian Produce.	
	The Mine.	The Fisheries.
Fiscal year ended Mar. 31—	\$	\$
1913.....	57,442,546	16,337,721
1914.....	59,039,054	20,623,560
1918.....	73,760,502	32,602,151
1919 (unrevised).....	77,439,983	37,137,072
	The Forest.	Animals and their Produce.
	\$	\$
Fiscal year ended Mar. 31—		
1913.....	43,255,060	44,784,593
1914.....	42,792,137	53,349,119
1918.....	51,899,704	172,743,081
1919 (unrevised).....	70,024,644	197,805,478
	Agricultural Products.	Manufactures.
	\$	\$
Fiscal year ended Mar. 31—		
1913.....	150,145,661	43,692,708
1914.....	198,220,029	57,443,452
1918.....	567,713,584	636,602,516
1919 (unrevised).....	269,819,833	549,284,263
Estimated amount of cartridges, explosives, ammunition and other war materials exported during the year ended Mar. 31, 1918.....	\$	418,000,000
Estimated amount of cartridges, explosives, ammunition and other war materials exported during the year ended Mar. 31, 1919.....		260,000,000

During the war the condition of our foreign trade has been greatly changed. The outstanding feature has been the increase in total to which I have referred and the reversal of the unfavourable to a most favourable balance. The trend of our trade for the war period may be observed from the following summary:

United Kingdom.—The imports from the United Kingdom have decreased from the fiscal year 1913-14 to the year 1918-19 from \$132,000,000 to \$73,000,000 and our exports (domestic produce) have increased from \$215,000,000 during the year just preceding the war to \$532,000,000 during the year 1918-19.

Other parts of the British Empire.—Our imports from other parts of the British Empire increased from \$22,000,000 during the fiscal year 1913-14 to \$50,000,000 during the fiscal year

1918-19, and exports (domestic produce) increased from \$23,000,000 to \$64,000,000 during the same period.

United States.—The trade with the United States has greatly increased during the war period. The imports from this country in 1913-14 were \$395,000,000 and in 1918-19 were nearly \$747,000,000, while the exports (domestic) increased from \$163,000,000 to \$454,000,000.

France.—The imports from France have decreased from \$14,000,000 in 1913-14 to \$3,600,000 in 1918-19, while the exports increased from \$3,600,000 to \$92,000,000 during the same period. The exports were largely munitions and other war supplies.

Italy.—The imports from Italy during the war period decreased from \$2,000,000 to \$550,000 and the exports increased from \$500,000 in 1913-14 to over \$13,000,000 in 1918-19. In the year 1917-18 the principal exports were asbestos, canned salmon, canned meats, wheat, oats, oatmeal and explosives.

Japan.—The imports from Japan during the year 1913-14 were \$2,600,000 and increased to \$13,600,000 in the year 1918-19. The principal goods included in the increase would appear to be of a class formerly imported from Germany and Austria-Hungary. Our exports (domestic) to Japan in 1913-14 were \$1,500,000, which increased to nearly \$12,000,000 in 1918-19.

Mr. LEMIEUX: Will the Minister state whether our largest customer is Great Britain or the United States?

Sir THOMAS WHITE: Our total trade with Great Britain including imports and exports in 1918-19 was \$605,000,000. Our total trade with the United States was \$1,201,000,000.

ESTIMATED EXPENDITURE FOR 1919-20.

Now, Mr. Speaker, having dealt with the financial and commercial position of the Dominion, I now proceed to the consideration of the important problem of our estimated expenditure for the present fiscal year 1919-20 and the fiscal proposals which the Government has to make in connection therewith.

It will be advantageous in assisting us to reach a conclusion with respect to these matters if I first briefly review the result of the last fiscal year which ended on March 31, 1919. During that year the expenditure of the Dominion upon account of the ordinary services of the Government amounted to \$240,000,000. The outlay upon capital account aggregated \$22,000,000. For war, the total expenditure for the year is estimated at \$450,000,000 (that is the last fiscal year). On the other side

of the account we estimate a total revenue for the year 1918-19 of \$310,000,000. As emphasizing the importance of this figure, I may point out that for the fiscal year before the war the total revenue was \$163,174,394. For the fiscal year which ended on March 31, 1909, the revenue was only \$85,093,404. Of this total of \$310,000,000 (the revenue for the last fiscal year), \$147,000,000 was received from customs; \$30,000,000 from excise; \$21,000,000 from post office; \$33,000,000 from taxation under the Business Profits War Tax Act; \$10,000,000 from the Income War Tax Act; \$14,000,000 from other war taxation; and \$55,000,000 from other miscellaneous sources, including \$38,000,000 from railways.

If we follow the practice which has been hitherto adopted in treating as surplus the amount of revenue received in excess of the ordinary expenditure, it will appear that for the past fiscal year the Government had a surplus of \$70,000,000, which was devoted to war expenditure. If, on the other hand, we first appropriated our revenue to the payment of both ordinary and capital expenditure, the surplus which was used for war expenditure was \$48,000,000.

I have already stated the estimated war expenditure for the past year to have been \$450,000,000. Of this expenditure, therefore, \$48,000,000 was paid out of revenue after meeting all other outlays on the part of the Government, including capital expenditure.

In connection with our expenditures during the past year and generally throughout the period of the war, I may observe with respect to both ordinary and capital outlays that they have been kept well in hand, and that the increased expenditure under this heading is attributable principally to interest upon our war debt and pensions.

I now proceed to estimate the revenue and outlay of the present year. Main Estimates totalling \$437,000,000 have been laid before the House, with Supplementary Estimates still to be brought down. Embraced in these estimates are certain considerable amounts representing investments. I refer particularly to the estimate of \$25,000,000 appropriated for the purpose of soldiers' land settlement; \$35,000,000 loan to Canadian Northern Railway Company; \$35,000,000 for railway equipment purposes; and \$25,000,000 to be advanced by way of loans to the several Provincial Governments for promoting better housing conditions. The estimate for the expenditure on ordinary account for the coming year is \$270,000,000. Of this the sum of \$102,000,000 represents interest on the national debt. This figure contrasts with \$12,893,000 representing interest charges upon the national debt before the war. It includes also the sum of \$30,000,000 for estimated pension

expenditure for the year. It is these two items of interest and pensions which will particularly constitute the burden of the war upon the taxpayers of the country for a great many years to come; until, in fact, the national debt is materially reduced and pensions gradually run their course. The estimated expenditure on capital account for the year we place at \$50,000,000.

This is a war year and it is necessary also to add the estimated expenditure which has been and will be incurred on account of demobilization. This will aggregate the large sum of \$300,000,000, including \$92,000,000 for war gratuity. The entire estimated expenditure, therefore, of the year on ordinary account, capital account, and for demobilization will reach the large total of \$620,000,000.

REVENUE FOR 1919-20.

Assuming that we maintained, without change, existing fiscal legislation, and that the yield of the various services would be upon the same basis as for 1918-19, our estimate of revenue for the present year would be as follows:—

Customs.. . . .	\$ 145,000,000
Excise.. . . .	30,000,000
Post Office.. . . .	18,000,000
Business Profits War Tax.. . . .	35,000,000
Income Tax.. . . .	20,000,000
Other War Taxation.. . . .	14,000,000
Miscellaneous sources.. . . .	18,000,000
	<hr/>
	\$ 280,000,000

In this estimate we have, owing to the change to be made, commencing with this year, in the mode of financial administration of the Intercolonial and other Government railways, omitted \$30,000,000 of revenue from that source. That revenue will henceforth be received by the Canadian National Railway Company and applied directly against its working expenditures. In our estimate of ordinary expenditure for the year we have allowed for a corresponding reduction.

While from the statement which I have just made it will appear that our total estimated expenditure, ordinary and capital accounts, and for demobilization, will amount to \$620,000,000, our estimated revenue on the present basis will reach only \$280,000,000. Putting it another way, our revenue would enable us to pay only our ordinary expenditure and leave a small amount to be applied to other purposes.

The question which now arises is what shall be our policy in the matter of taxation for the present year. It is a year of great industrial instability and business uncertainty. If the war were still continuing it would be necessary to recommend

heavily increased taxation in order that we might pay a substantial portion of the principal of our war expenditure. If it were not for special circumstances arising out of this transitional period from war to peace that course should be adopted, notwithstanding the ending of the war, because we shall have this year so heavy a volume of what is really war expenditure, that is to say, our outlay for demobilization and all that it involves. We must, however, bear specially in mind the anxieties and burdens of the general public at a time of dislocation, unrest and high prices, and endeavour to wisely bridge over this troubled period by giving such measure of relief as may be practicable, having regard to the heavy financial obligations devolving upon us and our national credit in the eyes of the outside world.

The cost of living in Canada has, in common with all other countries, gradually increased during the war and is causing hardship to a large portion of our population, especially those of limited means and slender incomes. I am of opinion that for this transitional period we are justified in adopting the policy of meeting only our ordinary expenditure and borrowing for our capital and demobilization expenditure.

In considering the question of reductions and increases in indirect taxation most careful attention must be given to their effect upon established industry and the employment of operatives dependent upon its success for the maintenance of themselves and their families, and upon the domestic trade and commerce which it supports.

Having fully considered all aspects of the subject the Government submits the following proposals:—

TARIFF CHANGES.

Under the Customs Tariff War Revenue Act, 1915, a British preferential tariff rate of five per cent and an intermediate and general tariff rate of seven and a half per cent were imposed upon, with certain exceptions, all imported goods.

We propose to wholly repeal this British preferential tariff rate of five per cent. Further, we propose to partially repeal the intermediate and general tariff rate of seven and one-half per cent at present in effect under the Customs Tariff War Revenue Act referred to by making it no longer applicable to the following classes of articles, namely:—

Foodstuffs, linen and cotton clothing, woollen clothing, boots and shoes, fur caps and fur clothing, hats, caps, hoods and bonnets, gloves and mitts, collars and cuffs, hides, skins, leather, harness and saddlery, agricultural implements, petroleum oils, mining machinery, and bituminous coal.

Those classes embrace a very large variety of individual articles which will be disclosed in the resolution.

So much for the reductions from the tariff rates established by the Customs Tariff War Revenue Act, 1915. We have now certain other reductions and modifications to propose in respect of the ordinary tariff rates, that is to say, the tariff rates established under the tariff of 1907 and amendments thereto. I call them, for the purpose of distinguishing them from the special customs war duties, the ordinary tariff rates. The resolutions presented in this regard will provide for a reduction of five cents per pound in the British preferential, intermediate and general tariff rates on roasted or ground coffee and three cents per pound under the British preferential tariff on British grown teas. This latter reduction gives a substantial Empire preference where no preference at present exists.

We shall provide for the free importation into Canada of wheat, wheat flour and potatoes from countries which do not impose a customs duty on such articles grown or produced in Canada.

We shall also provide for an alteration in the rates on soda ash from five per cent under the British preferential tariff and seven and a half per cent under the general tariff to one-fifth of a cent a pound under the British preferential tariff and three-tenths of a cent per pound under the general tariff.

We shall provide further for specific instead of ad valorem rates of duty upon pig-lead, zinc spelter, and copper ingots. On certain products made from these materials there will be an increase in duties.

AGRICULTURAL IMPLEMENTS.

I come now to the consideration of agricultural implements. I have stated that we propose to take off the Customs war revenue duties. But for an arrangement we have been able to make for the equalization of Canadian freight rates with those enjoyed by American competitors of our industries engaged in the manufacture of these implements, it would not have been practicable to make any reductions in the ordinary tariff schedule covering these articles. Under the ordinary tariff, rates of duty upon manufactured products are closely related to duties upon raw material, coal, machinery, and other equipment used in their manufacture, and any reduction except upon an occasion of general revision when the tariff as a whole can be dealt with would necessarily lead to most serious consequences.

Desirous as we were of providing for as low a duty as might be practicable upon these implements of agricultural production so essential to Canada at this time, the problem before us was how to make it possible to reduce the ordinary tariff rates.

The business of manufacturing agricultural implements is almost wholly confined to Eastern Canada. So far as concerns their great market in the West, Canadian firms and companies engaged in this industry have been handicapped as against their American competitors by higher freight rates. The freights charged by Canadian railway companies upon shipments from eastern points to Winnipeg, Brandon, Regina, Saskatoon, Calgary, Edmonton and other western points have been higher than the rates from Chicago to the same points. This has been caused by the fact that the manufacturing centres of the eastern provinces are separated by great distances from the consuming and distributing centres of the West. The American manufacturer of agricultural implements is not only closer to the American consumer and American distributing points but he is also nearer to the western distributing points of Canada.

In view of these circumstances it appeared to us that we should seek assistance in freight reduction to enable us to reduce the ordinary tariff upon these implements. The plan was not free of difficulty. In so far as railway rates, as such are concerned, the railway rates in Canada, although recently raised, are certainly not more than sufficient to make a carrying return on the value of the properties used for transportation. Indeed, having regard to railway investment, railway returns, owing to the very great increases in the cost of operation, may well be described as low. In view of this, it is, of course, impossible to expect a reduction in railway rates to be ordered by the Railway Commission.

As a rate-making proposition, reductions at the present time are impossible. We have, however, approached the railway companies with a view of overcoming the difficulty of distance to the greatest extent possible, and of doing so without unduly injuring railway revenues and credits. At the present time railways, which are the largest consumers of bituminous coal, pay a war duty of seven and a half per cent on the value of the imported commodity. As this duty is an addition to the specific tax upon this coal, a heavy resultant charge has been thrown upon the operating railways, whose fuel costs, in view of the advanced price of coal alone, have been greatly increased.

The proposal which we made to the rail carriers was that they should reduce their rates from the eastern manufacturing points of production of agricultural implements, Montreal, and

east of the Great Lakes, to prairie points, to the rates charged by the American lines with shorter mileages, from Chicago to the similar western destinations, stating that if the railway companies could see their way to do this they would be assisted to the extent that relief would be afforded them by the abolition of the seven and a half per cent war duty on bituminous coal.

In the first instance, the railway companies claimed that, in view of their financial obligations, it was entirely impossible for them to sacrifice any revenue whatever, but that their existing revenues were, as a matter of fact, insufficient.

The question, however, was not allowed to stand, but other representations were made to the companies, such as the national necessity of making farming operations in the West more profitable, of increasing the population of the West, and the resultant interest that the companies themselves would have from the traffic which a larger and more prosperous population would afford, and also the fact that such conditions would render more saleable the railway lands owned by companies in the West, an argument which appealed with special force to the Canadian Pacific Railway Company, which company has perhaps as much interest in the proper development and prosperity of the West as any other interest can possibly have.

I am very glad to be able to say that the railway companies have recognized the large overlying national interest, and have consented to put in tariffs as asked. The new tariffs will give the Chicago rate on agricultural implements from producing centres in the East, west of Montreal and east of the Great Lakes, to prairie points, for car-lot movements, loaded to a minimum of 24,000 pounds. This reduction is a substantial concession made by the railways, as the following statement of present rates will indicate:

Movement		Mileage.	Rate.
From.	To.		
Toronto-Winnipeg..	1,233	82½ cents.
Chicago-Winnipeg..	876	67½ "
Toronto-Brandon..	1,366	95 "
Chicago-Brandon..	931	80 "
Toronto-Portage la Prairie..	1,288	87½ "
Chicago-Portage la Prairie..	873	72½ "
Toronto-Regina..	1,590	\$1.12½
Chicago-Regina..	1,069	1.02½
Toronto-Yorkton..	1,512	1.06½
Chicago-Yorkton..	1,143	.96½
Toronto-Moosejaw..	1,631	1.17½
Chicago-Moosejaw..	1,141	1.07½
Toronto-Saskatoon..	1,713	1.22½
Chicago-Saskatoon..	1,241	1.12½
Toronto-Swift Current..	1,742	1.24
Chicago-Swift Current..	1,222	1.14
Toronto-Medicine Hat..	1,889	1.35
Chicago-Medicine Hat..	1,369	1.25
Toronto-Lethbridge..	1,990	1.41½
Chicago-Lethbridge..	1,481	1.31½
Toronto-Calgary..	2,056	1.49
Chicago-Calgary..	1,536	1.37½

The rates to Edmonton are the same from both points as those to Calgary.

The reduction will be appreciated when it is recognized that, for example, to Regina, the Canadian haul of 1,590 miles equalizes the haul from American territory of 1,069 miles, while to Medicine Hat the Canadian movement is 520 miles longer than the American movement, although the rate will become the same.

It must also be borne in mind that although, as the above schedule indicates, the rates for equivalent distances in the United States are higher than in Canada, notwithstanding a greater density and diversity of traffic, combined with a lower fuel cost, the United States operations, as indicated by the reports made by the United States Railroad Administration, are now being carried on at an operating loss.

The companies made these concessions, then, not on any rate basis, nor for any railway advantage, and without regard to rates on other articles or railway returns or necessities, — simply to meet a situation of national importance. The companies state that their action thus taken must not in any way be regarded as a measure for profitable transportation, and that it is absolutely impossible that railway revenues can be further affected by any rate reductions on any other commodities.

In view of the arrangement for freight reduction made with the railway companies, we are enabled to make the following proposals for reduction in customs duties upon agricultural implements.

Mr. ROBB: Has the Minister any statement as to the difference between the new rate and the Canadian rate in force prior to 1912?

Sir THOMAS WHITE: I have no information before me as to that.

Including the $7\frac{1}{2}$ per cent war duty reduction to which I have already referred, our proposals if adopted by the House will provide for a total reduction under the general tariff from $27\frac{1}{2}$ per cent to 15 per cent on cultivators, harrows, horse-rakes, seed-drills, manure spreaders, and weeders, and complete parts thereof, and from $27\frac{1}{2}$ per cent to $17\frac{1}{2}$ per cent on ploughs and complete parts thereof, windmills and complete parts thereof, portable engines and traction engines for farm purposes, horse powers and threshing machine separators and appliances therefor.

On hay-loaders, potato diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm, road or field rollers, post-hole diggers, snaiths, and other agricultural implements,

the resolutions will provide for a total reduction in the rate from $32\frac{1}{2}$ per cent to 20 per cent, and a similar reduction on farm wagons.

In the case of cement, the war customs duty will be repealed and the general tariff rate will be reduced to 8 cents per hundred pounds. This is a reduction of 2 cents from the present general tariff rate.

The total estimated loss in revenue from the tariff reductions which we have proposed aggregates seventeen million dollars. Owing to estimated reduction in the total volume of imports into Canada due to diminished purchasing power during the current year and probable decline in prices as well, we may expect that, including the loss due to the reductions now proposed, we shall sustain a total loss in customs revenue for the present fiscal year of at least twenty-five million dollars. To partially offset this loss and close the gap of the deficit of fifteen million dollars between revenue and current expenditure which it would cause, we propose a heavy increase in income taxation.

Mr. LEMIEUX: Under the proposed changes mentioned by the Minister a moment ago, does the Order in Council which was passed two years ago concerning wheat, now become permanent? In other words, are we to have free wheat between the United States and Canada?

Sir THOMAS WHITE: We have had free wheat ever since the Order in Council was passed. I presented to the House the opinion of the Minister of Justice that the provision was on as permanent a basis as if it had been placed in a statute. But if my hon. friend has any doubt on the question, it would now be removed by the fact that we are providing, by the resolution which we shall lay before the House, for placing wheat, wheat flour, and semolina upon the free list to countries which do not impose duties upon those articles coming from Canada.

INCOME TAX.

I was referring to our proposals with regard to income tax. We propose that all corporations shall pay ten per cent on their net income in excess of two thousand dollars. The present tax is six per cent. Shareholders shall be given credit for the normal tax to which they are liable upon dividends received from companies subject to this taxation. That is the same principle as applies to the present income tax.

In the case of individuals, we propose that the normal rate of four per cent shall be levied upon all incomes exceeding one thousand dollars, but not exceeding six thousand dollars, in the

case of unmarried persons and widows or widowers without dependent children, and upon all incomes exceeding two thousand dollars but not exceeding six thousand dollars in the case of all other persons.

We propose a normal tax of eight per cent upon all incomes exceeding six thousand dollars.

We propose that the surtax shall commence from five thousand dollars instead of from six thousand dollars as at present, and shall increase by graduation, applying, firstly to incomes between five thousand dollars and six thousand dollars, and to every two thousand dollars between six thousand dollars and one hundred thousand dollars.

Upon incomes in excess of one hundred thousand dollars, materially increased rates are levied.

The following compilation shows in detail what is proposed:

In addition to the normal tax rates which I have mentioned payable on incomes in excess of \$1,000 in respect to unmarried persons and widows and widowers without dependent children and \$2,000 in respect to all other persons a surtax will be payable as follows:

1 per centum of the amount by which the net income exceeds \$5,000 and does not exceed \$6,000.

2 per centum of the amount by which the net income exceeds \$6,000 and does not exceed \$8,000.

3 per centum of the amount by which the net income exceeds \$8,000 and does not exceed \$10,000.

4 per centum of the amount by which the net income exceeds \$10,000 and does not exceed \$12,000.

5 per centum of the amount by which the net income exceeds \$12,000 and does not exceed \$14,000.

6 per centum of the amount by which the net income exceeds \$14,000 and does not exceed \$16,000.

7 per centum of the amount by which the net income exceeds \$16,000 and does not exceed \$18,000.

8 per centum of the amount by which the net income exceeds \$18,000 and does not exceed \$20,000.

9 per centum of the amount by which the net income exceeds \$20,000 and does not exceed \$22,000.

10 per centum of the amount by which the net income exceeds \$22,000 and does not exceed \$24,000.

11 per centum of the amount by which the net income exceeds \$24,000 and does not exceed \$26,000.

12 per centum of the amount by which the net income exceeds \$26,000 and does not exceed \$28,000.

13 per centum of the amount by which the net income exceeds \$28,000 and does not exceed \$30,000.

14 per centum of the amount by which the net income exceeds \$30,000 and does not exceed \$32,000.

15 per centum of the amount by which the net income exceeds \$32,000 and does not exceed \$34,000.

16 per centum of the amount by which the net income exceeds \$34,000 and does not exceed \$36,000.

17 per centum of the amount by which the net income exceeds \$36,000 and does not exceed \$38,000.

18 per centum of the amount by which the net income exceeds \$38,000 and does not exceed \$40,000.

19 per centum of the amount by which the net income exceeds \$40,000 and does not exceed \$42,000.

20 per centum of the amount by which the net income exceeds \$42,000 and does not exceed \$44,000.

21 per centum of the amount by which the net income exceeds \$44,000 and does not exceed \$46,000.

22 per centum of the amount by which the net income exceeds \$46,000 and does not exceed \$48,000.

23 per centum of the amount by which the net income exceeds \$48,000 and does not exceed \$50,000.

24 per centum of the amount by which the net income exceeds \$50,000 and does not exceed \$52,000.

25 per centum of the amount by which the net income exceeds \$52,000 and does not exceed \$54,000.

26 per centum of the amount by which the net income exceeds \$54,000 and does not exceed \$56,000.

27 per centum of the amount by which the net income exceeds \$56,000 and does not exceed \$58,000.

28 per centum of the amount by which the net income exceeds \$58,000 and does not exceed \$60,000.

29 per centum of the amount by which the net income exceeds \$60,000 and does not exceed \$62,000.

30 per centum of the amount by which the net income exceeds \$62,000 and does not exceed \$64,000.

31 per centum of the amount by which the net income exceeds \$64,000 and does not exceed \$66,000.

32 per centum of the amount by which the net income exceeds \$66,000 and does not exceed \$68,000.

33 per centum of the amount by which the net income exceeds \$68,000 and does not exceed \$70,000.

34 per centum of the amount by which the net income exceeds \$70,000 and does not exceed \$72,000.

35 per centum of the amount by which the net income exceeds \$72,000 and does not exceed \$74,000.

36 per centum of the amount by which the net income exceeds \$74,000 and does not exceed \$76,000.

37 per centum of the amount by which the net income exceeds \$76,000 and does not exceed \$78,000.

38 per centum of the amount by which the net income exceeds \$78,000 and does not exceed \$80,000.

39 per centum of the amount by which the net income exceeds \$80,000 and does not exceed \$82,000.

40 per centum of the amount by which the net income exceeds \$82,000 and does not exceed \$84,000.

41 per centum of the amount by which the net income exceeds \$84,000 and does not exceed \$86,000.

42 per centum of the amount by which the net income exceeds \$86,000 and does not exceed \$88,000.

43 per centum of the amount by which the net income exceeds \$88,000 and does not exceed \$90,000.

44 per centum of the amount by which the net income exceeds \$90,000 and does not exceed \$92,000.

45 per centum of the amount by which the net income exceeds \$92,000 and does not exceed \$94,000.

46 per centum of the amount by which the net income exceeds \$94,000 and does not exceed \$96,000.

47 per centum of the amount by which the net income exceeds \$96,000 and does not exceed \$98,000.

48 per centum of the amount by which the net income exceeds \$98,000 and does not exceed \$100,000.

52 per centum of the amount by which the net income exceeds \$100,000 and does not exceed \$150,000.

56 per centum of the amount by which the net income exceeds \$150,000 and does not exceed \$200,000.

60 per centum of the amount by which the net income exceeds \$200,000 and does not exceed \$300,000.

63 per centum of the amount by which the net income exceeds \$300,000 and does not exceed \$500,000.

64 per centum of the amount by which the net income exceeds \$500,000 and does not exceed \$1,000,000.

65 per centum of the amount by which the net income exceeds \$1,000,000.

The following table furnishes a comparison of present and proposed taxation in respect of incomes ranging from \$3,000 to \$1,000,000 in respect of married persons and widows and widowers having dependent children:

Comparison of Rates.		
Income.	Present Tax.	Proposed Tax.
\$	\$	\$
3,000	20	40
4,000	60	80
5,000	100	120
6,000	140	170
8,000	266	370
10,000	392	590
12,000	590	830
14,000	788	1,090
16,000	986	1,370
18,000	1,184	1,670
20,000	1,382	1,990
22,000	1,646	2,330
24,000	1,910	2,690
26,000	2,174	3,070
28,000	2,438	3,470
30,000	2,702	3,890
32,000	3,010	4,330
34,000	3,318	4,790
36,000	3,626	5,270
38,000	3,934	5,770
40,000	4,242	6,290
42,000	4,550	6,830
44,000	4,858	7,390
46,000	5,166	7,970
48,000	5,474	8,570
50,000	5,782	9,190
52,000	6,200	9,830
54,000	6,618	10,490
56,000	7,036	11,170
58,000	7,454	11,870
60,000	7,872	12,590
62,000	8,290	13,330
64,000	8,708	14,090
66,000	9,126	14,870
68,000	9,544	15,670
70,000	9,962	16,490
72,000	10,380	17,330
74,000	10,798	18,190
76,000	11,271	19,070
78,000	11,799	19,970
80,000	12,327	20,890
82,000	12,855	21,830
84,000	13,383	22,790
86,000	13,911	23,770
88,000	14,439	24,770
90,000	14,967	25,790
92,000	15,495	26,830
94,000	16,023	27,890
96,000	16,551	28,970
98,000	17,079	30,070
100,000	17,607	31,190
150,000	34,282	61,190
200,000	50,957	93,190
300,000	96,857	161,190
500,000	195,407	303,190
1,000,000	499,157	663,190

Several amendments which the administration of the Income Tax Act has shown to be desirable will be submitted.

The question of double taxation has given considerable difficulty. In view of the time which would be required to make international agreements respecting the matter we have thought it advisable to take the lead and provide for a deduction from the sum payable by a resident of Canada under our income tax legislation of the amount paid by him elsewhere in the British Empire upon income thence derived. We shall also provide for a similar deduction in respect of income derived from a foreign country extending similar exemption upon income derived from Canadian sources.

BUSINESS PROFITS WAR TAX.

As this is a war year so far as public expenditures are concerned, and it is most desirable that we should maintain so far as possible our revenues, the Business Profits War Tax Act will be renewed for the current calendar year so as to make it apply to accounting periods ending on or before 31st December, 1919. The rates of the Business Profits War Tax Act which we are thus extending are as follows:

Businesses having a capital of \$25,000 and over but less than \$50,000, profits in excess of 10 per cent to be taxable—rate 25 per cent thereof.

Businesses having a capital of \$50,000 and over (exemption for incorporated companies, 7 per cent; other than incorporated companies, 10 per cent); profits in excess of exemptions but not exceeding 15 per cent, rate of taxation 25 per cent; profits from 15 per cent to 20 per cent inclusive—rate of taxation 50 per cent; profits in excess of 20 per cent, rate of taxation 75 per cent.

In connection with both income and business profits taxation, I feel I should again call the attention of the House to certain considerations to which regard should, I think, be had in the general national interest. Canada is a country inviting immigration for settlement and capital and business enterprise for investment and development. We must be careful that our taxation of income and profits is not such as to place a barrier against either. In some provinces of Canada there are at present three sets of income taxes, municipal, provincial and federal. The result in these provinces is exceedingly heavy taxation upon individuals and business enterprise. Our business profits taxation, unless repealed as soon as war conditions terminate, must have an adverse influence upon the investment of money in business enterprise in Canada. At present there is a widespread tendency throughout the world to severely tax profits. Within bounds such a policy is not open to criticism, but carried beyond a reasonable point it can only defeat its

purpose, with consequences detrimental to capital, labour and the community as a whole.

TARIFF REVISION.

Now, Mr. Speaker, having laid before the House the fiscal proposals which we have to make at this time, I feel the occasion opportune to make a statement respecting the important subject of general tariff revision.

The sound policy in this regard and the one which has been followed by all Administrations in Canada is that at certain periods, separated by intervals of eight or ten years, there should be a deliberate reconsideration and revision of the entire tariff schedules.

Such general revision becomes necessary in the national interest from time to time in order to adjust the tariff to the changed conditions which have arisen. In the intervals between general revisions the policy has been to make as few changes as possible in order that the business of the country which has adapted itself to existing tariff conditions may not be disturbed by sudden and unexpected change which always makes for uncertainty and lack of confidence. In 1897 there was a general tariff revision such as I have mentioned. In 1904 there was a revision of duties relating to a limited list of commodities embracing oils, glass, and woollen goods, and provision was made for a special so-called dumping duty. This was not a general but a partial tariff revision. In 1907 there was a general revision, and in 1914 there was a partial revision. Had the war not occurred there would have been a general revision in 1916 or at the latest in 1917. The world-wide disturbance and unsettlement caused by the war and the organization of all production and business generally upon a war basis rendered such general revision out of the question for the time being. For the purpose of increasing the revenues of the Dominion and enabling us to defray in part our heavy war expenditure special war duties of $7\frac{1}{2}$ per cent and 5 per cent were in 1915 added to the general and British preferential tariff rates respectively upon, with certain exceptions, all imports. The revenue received from this special war tariff has been as follows:

1915-16..	\$ 25,256,787.89
1916-17..	37,830,427.39
1917-18..	45,018,562.27
1918-19..	44,726,091.67

When it is considered that for this year we are budgeting to raise barely the amount of our current expenditure and shall be obliged to borrow for our capital and demobilization expendi-

ture, it will be seen how necessary it is to maintain in greater part at least this war tax upon imports.

It would not be practicable at this time to make a sound general revision of the tariff. International trade is most unsettled, still hampered by war restrictions and prohibitions and by exchange conditions, which are and may long continue to be subject to violent fluctuations. Prices are unstable, and labour conditions, internationally speaking, most uncertain. Until peace is restored and the world is upon a more stable basis with respect to capital, labour, prices, markets, and exchange, the tariff cannot be revised intelligently.

It is my hope that within a year conditions will have become so stabilized as to permit of a general revision of the tariff, which is long, but, owing to the war, unavoidably overdue. Preceding such revision there should be a thorough inquiry conducted by the Minister of Finance and two or more of his colleagues representing the different geographical sections of Canada. Such inquiry should afford all interests, agricultural, industrial, fishing, lumbering, mining, commercial, and financial, producers and consumers alike, an opportunity of expressing their views and opinions and urging their particular needs and requirements. The result of such inquiry should be a body of information which will enable the Government to effect a general revision of the tariff fair to all parts of the community, and effectually promoting the national welfare of Canada. This inquiry should proceed with its work just as soon as conditions are sufficiently stabilized to permit. My own view is that it might well be commenced about autumn of this year.

ECONOMIC CONDITIONS IN CANADA.

Before closing my remarks I feel I should make some general observations as to economic conditions prevailing in Canada to-day. An outstanding feature of the business situation is the fact that a great part of our business activity is due to the continued heavy expenditure of public money.

The policy of the Government for the so-called reconstruction period of transition from war to peace basis as illustrated in its programme with respect to shipbuilding, better housing, railway betterments and extensions, public works, and other national undertakings, together with its contribution of war gratuities to soldiers and the creation of credits for the promotion of our external trade with Britain and other European countries is a vital factor in maintaining our commerce, domestic and foreign, keeping the wheels of Canadian industry turning and affording employment to hundreds of thousands of our people. The funds from which these activities and credits are

financed and which aggregate many hundreds of millions of dollars are borrowed money. This being a war year—a year of dislocation and of readjustment, of business and industrial uncertainty, of general unrest and of high prices for the necessities of life, of demobilization and of re-absorption into civil life and occupation of our army—the Government is undoubtedly justified in the policy which it has adopted. To have pursued a timid or hesitating course with respect to making provision so far as possible for employment and for the promotion through public finance of our export trade in agricultural and manufactured products would have invited most serious conditions throughout Canada. During the unsettled period following the war Governments must do many things outside their function in ordinary times, which private enterprise through lack of resource or from apprehension as to the risk involved is not able or willing to undertake. It must, however, be pointed out that the continuation of such a policy is subject to strict limitation and that we must look forward and prepare for a time when the artificial support of employment and public financing of trade must be greatly reduced or discontinued and the industry and business of the country be re-established upon the normal basis of peace conditions. The sooner this can be accomplished the better it will be for the community as a whole.

In the meantime while the Government is, through the instrumentality of the public credit and otherwise, using every endeavour to alleviate conditions which have inevitably arisen out of the war and overcome the effects of the sudden cessation of the activities which it created it is the clear duty of all citizens to earnestly co-operate with the Government and with one another to the end that with the exercise of patience, goodwill, and high patriotic spirit we may tide over successfully this most trying and critical period in the national life of the Dominion.

I shall now read the resolutions:

RESOLVED that it is expedient to amend Schedule A to the Customs Tariff, 1907, as amended by Chapter 15 of the Acts of 1913, by Chapter 3 of the Acts of 1915, by Chapter 7 of the Acts of 1916, by Chapter 17 of the Acts of 1918, and by Orders in Council, and to strike thereout tariff items:—24, 25, 25a, 26, 27, 28, 28a, 29, 60, 61, 83, 84, 210, 267a, 290, 329a, 337, 343, 345, 348, 350, 351, 356, 384, 446, 447, 448, 591, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:—

Tariff Items.		British Preferential Tariff.	Inter-mediate Tariff.	General Tariff.
24	Chicory, raw or green.....per pound	2½ cents.	3 cents.	3 cents.
25	Chicory, kiln-dried, roasted or ground. .....per pound.	3 cents.	5 cents.	5 cents.
25a	Coffee, extract of n.o.p., and substitutes thereof of all kinds. per pound.	5 cents.	7 cents.	7 cents.
26	Coffee, roasted or ground, and all imitations thereof and substitutes therefor, including acorn nuts, n.o.p.....per pound.	3 cents.	5 cents.	5 cents.
27	Coffee, roasted or ground, when not imported direct from the country of growth and production....per pound.	3 cents and 7½ p.c.	5 cents and 10 p.c.	5 cents and 10 p.c.
28	Coffee, green, imported direct from the country of growth and production, and green coffee purchased in bond in the United Kingdom.....per pound.	2½ cents.	3 cents.	3 cents.
28a	Tea imported direct from the country of growth and production, and tea purchased in bond in the United Kingdom.....per pound. When in wrappings, cartons or other packages weighing five pounds or less, the weight of the wrappings, cartons or other packages to be included in the weight for duty.	7 cents.	10 cents.	10 cents.
29	Coffee, green, n.o.p.....per pound.	2½ cents and 7½ p.c.	3 cents and 10 p.c.	3 cents and 10 p.c.
60	Wheat, n.o.p.....	Free.	Free.	Free.
60a	Wheat when imported from a country which imposes a Customs duty on wheat grown in Canada...per bushel.	8 cents.	12 cents.	12 cents.
61	Wheat flour, n.o.p.; semolina, n.o.p....	Free.	Free.	Free.
61a	Wheat flour and semolina when imported from a country which imposes a Customs duty on wheat flour or semolina manufactured in Canada.....per barrel	30 cents.	50 cents.	50 cents.
83	Potatoes, n.o.p., and potatoes dried, desiccated or otherwise prepared, n.o.p.....	Free.	Free.	Free.
83a	Potatoes when imported from a country which imposes a Customs duty on potatoes grown in Canada...per bushel.	12½ cents.	20 cents.	20 cents.

Tariff Items.		British Preferential Tariff.	Intermediate Tariff.	General Tariff.
21	Potatoes dried, desiccated or otherwise prepared when imported from a country which imposes a Customs duty on such articles produced in Canada.....	15 p.c.	30 p.c.	30 p.c.
210	Peroxide of soda; soda, sulphate of, crude, known as salt cake; silicate of soda in crystals or in solution; bichromate of soda; nitrate of soda or cubic nitre; sal soda; sulphide of sodium; nitrite of soda; arseniate, binarseniate, chlorate, bisulphite and stannate of soda; prussiate of soda and sulphite of soda.....	Free.	Free.	Free.
210b	Barilla or soda ash.....per pound.	1/5 cent.	3/10 cent.	3/10 cent.
267a	Crude petroleum in its natural state, 7900 specific gravity or heavier at 60 degrees temperature, when imported by oil refiners to be refined in their own factories.....	Free.	Free.	Free.
290	Cement, Portland, and hydraulic or water lime, in barrels, bags, or casks, the weight of the package to be included in the weight for duty.....per one hundred pounds	5 cents.	8 cents.	8 cents.
329a	Iron ore.....	Free.	Free.	Free.
337	Lead, old, scrap, pig and block.....per pound.	1/2 cent.	1 cent.	1 cent.
343	Tin, in blocks, pigs or bars; tin strip waste, and tin foil.....	Free.	Free.	Free.
345	Zinc dust, sheets and plates; sal ammoniac skimmings; and seamless drawn tubing of zinc.....	Free.	Free.	Free.
345a	Zinc spelter and zinc in blocks, pigs, bars or rods.....per pound.	1/2 cent.	1 cent.	1 cent.
348	Copper in blocks, ingots and pigs.....per pound.	1 cent.	1 1/2 cents.	1 1/2 cents.
348b	Brass and copper scrap.....	Free.	Free.	Free.
348c	Brass in blocks, ingots or pigs; copper in bars or rods, not less than six feet in length, unmanufactured, n.o.p.; copper in strips, sheets or plates, not polished, planished or coated; brass or copper tubing, in lengths not less than six feet, and not polished, bent or otherwise manufactured.....	5 p.c.	10 p.c.	10 p.c.
348d	Copper in bars or rods when imported by manufacturers of trolley, telegraph and telephone wires, electric wires and electric cables for use only in the manufacture of such articles in their own factories.....	Free.	Free.	Free.
356	Nickel in bars and rods, strips, sheets or plates.....	*Free.	Free.	Free.
356a	Nickel silver and German silver in bars, rods, strips, sheets, plates or articles.....	5 p.c.	10 p.c.	10 p.c.

Tariff Items.	—	British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
384	Rolled iron or steel sheets and strips, polished or not, number fourteen gauge and thinner, n.o.p.; Canada plates; Russia iron; terne plates and rolled sheets of iron or steel, coated with zinc, spelter or other metal, of all widths or thicknesses, n.o.p.; and rolled iron or steel hoop, band, scroll or strip, number fourteen gauge and thinner, galvanized, or coated with other metal, or not, n.o.p.....	7½ p.c.	12½ p.c.	12½ p.c.
384a	Rolled iron or steel hoop, band, scroll or strip, number fourteen gauge and thinner, and rolled iron or steel sheet, when imported by manufacturers for use only in their own factories in the manufacture of galvanized iron or steel hoop, band, scroll, strip or sheet.....	Free.	Free.	Free.
446	Cultivators, harrows, horse-rakes, seed-drills, manure spreaders and weeders and complete parts thereof...	10 p.c.	15 p.c.	15 p.c.
446b	Ploughs and complete parts thereof....	12½ p.c.	17½ p.c.	17½ p.c.
446c	Windmills and complete parts thereof, not including shafting.....	12½ p.c.	17½ p.c.	17½ p.c.
447	Portable engines with boilers, in combination, horse-powers and traction engines for farm purposes; wind-stackers, and threshing machine separators, including baggers, weighers and self-feeders therefor, and complete parts of all articles specified in this tariff item.....	12½ p.c.	17½ p.c.	17½ p.c.
448	Hay loaders, potato diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm, road or field rollers, post hole diggers, snaths; and other agricultural implements, n.o.p.....	12½ p.c.	20 p.c.	20 p.c.
591	Farm wagons and complete parts thereof.....	15 p.c.	20 p.c.	20 p.c.
591a	Freight wagons, drays and sleighs, and complete parts thereof.....	17½ p.c.	25 p.c.	25 p.c.
705a	Settlers' effects, viz.:—Machines, vehicles and implements for agricultural purposes, moved by mechanical power, if actually owned abroad by the settler for at least six months before his removal to Canada, and subject to regulations prescribed by the Minister of Customs.....	Free.	Free.	Free.
	Provided that the said machines, vehicles and implements may not be so entered unless brought by the settler on his first arrival, and shall not be sold or otherwise disposed of without payment of duty until after twelve months' actual use in Canada.			

2. RESOLVED that it is expedient to amend Chapter 3 of the Acts of 1915 by striking out in subsections 1 and 2 of section 3 the rate of duty "5 p.c.," under the words "British Preferential Tariff" and substituting therefor the word "nil" in each subsection.
3. RESOLVED that it is expedient to provide that the following goods shall be exempt from the provisions of section 3 of Chapter 3 of the Acts of 1915:
- (r) materials imported to be used in the manufacture of goods enumerated in tariff items 446, 446b, 446c, 447, 448, 449, 450 and 591;
 - (s) olive oil and peanut oil for canning fish;
 - (t) materials imported prior to the first day of September, 1920, to be used in the manufacture of oleomargarine as described in The Dairy Industry Act, 1914, and amendments thereto;
 - (u) linen or cotton clothing, n.o.p.;
 - (v) goods enumerated in the following tariff items in Schedule A:
5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 24, 25, 25a, 26, 27, 28, 28a, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 39a, 41, 42, 43, 44, 46, 46a, 47, 48, 49, 50, 51, 52, 53, 56, 57, 58, 59, 60, 60a, 61, 61a, 62, 63, 63a, 64, 65, 67, 68, 69, 69a, 70, 71, 71a, 72, 73, 74, 76, 81, 82, 83, 83a, 84, 85, 86, 87, 88, 89, 90, 91, 93, 94, 95, 96, 97, 97a, 98, 99, 99a, 100, 101, 102, 103, 105, 106, 107, 108, 109, 110, 111, 113, 113a, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 130, 133, 136, 136a, 137, 138, 140, 140a, 141, 152, 152a, 155, 170, 210b, 227, 267a, 268, 269, 270, 271, 272, 273, 274, 275, 276, 276a, 277, 277a, 279, 281, 290, 329a, 337, 343, 345a, 348, 384, 384a, 387a, 411, 444, 446, 446b, 446c, 447, 448, 449, 450, 456, 459, 460, 461, 461a, 462, 462a, 469, 472, 475, 520, 521, 522, 523, 533a, 551, 553, 554, 555, 556, 557, 558, 563, 565, 566, 567, 568, 568a, 569, 587, 588, 591, 599, 601, 602, 603, 604, 605, 606, 607, 611, 611a, 612, 617, 625, 626, 627, 631, 638, 638a, 639, 641, 642, and 705a.
4. RESOLVED that Schedule B to the Customs Tariff, 1907, be amended by providing that the following items, enumerations, and rates of drawback of customs duties be inserted in said Schedule:

Item No.	Goods.	When subject to Drawback.	—
1025	Materials, not including machinery.	When used prior to first day of September, 1920, in the manufacture of oleomargarine as described in The Dairy Industry Act, 1914, and amendments thereto.....	99 p.c.
1026	Materials.....	When used in the manufacture of goods enumerated in tariff items 446, 446b, 447, 448 and 591.....	30 p.c.

Business Profits War Tax.

RESOLVED,

1. That it is expedient to amend The Business Profits War Tax Act, 1916, as amended by chapter six of the statutes of 1917, and by chapter ten of the statutes of 1918, and to provide that the provisions of Section three of the said Act shall not continue in force after the thirty-first day of December, one thousand nine hundred and nineteen;

2. That with respect to every business liable to taxation under the said Act the period for which the returns shall be made and during which it shall be liable for assessment shall be at least sixty months, commencing with the beginning of the first accounting period ending after the thirty-first day of December, one thousand nine hundred and

fourteen, or for such less period as the business may have been carried on from the beginning of the said accounting period to the end of the period for which the said tax may be levied under this Act;

3. That the word "commencing" be replaced by the word "ending" in the proviso to section twenty-six as enacted by chapter ten of the statutes of 1918.

Income Tax.

Resolved, That it is expedient to amend the provisions of The Income War Tax Act, 1917, as amended by chapter 25 of the statutes of 1918, and to provide,—

1. That income liable to taxation shall include the salaries, indemnities or other remuneration of members of the Senate and House of Commons of Canada and officers thereof, of members of Provincial Legislative Councils and Assemblies, of Municipal Councils, Commissions and Boards of Management, of any Judge of any Dominion or Provincial Court appointed after the passing of this Act, and of all other persons, including those whose salaries, indemnities or other remuneration are paid by His Majesty in respect of His Government of the Dominion of Canada, or of any Province; excepting therefrom the income of the Governor General of Canada.

2. That the exemptions and deductions allowed from taxable income by paragraph (a) of subsection one of section three of The Income War Tax Act, 1917, be amended to provide for such reasonable allowance as may be granted by the minister, in his absolute discretion for depreciation; by striking out the exemption for any expenditure of a capital nature for renewals or for the development of a business; and by adding the provision that the minister when determining the income derived from timber limits shall make an allowance for their exhaustion.

3. That the allowance of two hundred dollars for each child under sixteen years of age who is dependent upon the taxpayer for support as enacted in paragraph (b) of subsection one of section three of The Income War Tax Act, 1917, as amended by chapter 25 of the statutes of 1918 be allowed for the purposes of the normal tax only.

4. That in lieu of the provisions of paragraph (d) of subsection one of section three of The Income War Tax Act, 1917, it be enacted that dividends received by or credited to shareholders of a corporation which is liable to taxation under the provisions of the said Act shall not be liable to normal tax in the hands of the shareholders but shall be liable to the supertax and surtax provisions of the said Act and to the surtax provisions of these resolutions. The amount of the exemption from normal tax to the shareholders shall not exceed the net amount of such dividends after the deduction of the interest or carrying charges, if any, in respect of such dividends. Provided, however,

(a) that in determining the income no deduction shall be allowed in respect of personal and living expenses, and in cases in which personal and living expenses form part of the profit, gain or remuneration of the taxpayer, the same shall be assessed as income for the purposes of this Act;

(b) that deficits or losses sustained in transactions entered into for profit but not connected with the chief business, trade, profession or occupation of the taxpayer may not be deducted from income derived from the chief business, trade, profession or occupation of the taxpayer in determining his taxable income.

5. That it be enacted in lieu of the provisions of subsection four of section three of The Income War Tax Act, 1917, that the share of a taxpayer in the undivided or undistributed gains and profits of a corporation shall not be deemed to be taxable income of the taxpayer unless the minister is of opinion that the accumulation of such undivided and undistributed gains and profits is made for the purpose of evading the tax and is in excess of what is reasonably required for the purposes of the business.

6. That dividends or shareholders' bonuses paid or credited to its shareholders by a corporation on or after January 1st, 1917, shall be taxable as income of the shareholder in the year in which the same are received or credited unless paid exclusively out of a surplus or accumulated profits on hand prior to the 1st January, 1917. No dividend or shareholders' bonus shall be deemed to be paid or credited out of surplus or accumulated profits on hand prior to the 1st January, 1917, if the earnings of the corporation since the beginning of the accounting period which ended in 1917 are sufficient to provide for the said dividend and other taxable dividends paid or credited since the said date.

- (a) Income of a beneficiary of an estate shall be deemed to include the amount accruing during each taxation year to which he, his heirs or assigns are entitled from the income of the estate whether distributed or not.
- (b) Any part of the remuneration of a taxpayer retained by his employer in connection with insurance, sick benefit, superannuation, pension fund or plan shall be allowed as an exemption or deduction from the income of the taxpayer for income tax purposes, and any payment to an employee out of such fund or plan shall be included as taxable income of the employee.

7. That there shall be assessed, levied and paid upon the income during the preceding year of every person residing or ordinarily resident in Canada or employed in Canada or carrying on any business in Canada except corporations and joint stock companies, the following taxes:

(a) Four per centum upon all income exceeding one thousand dollars but not exceeding six thousand dollars in the case of unmarried persons and widows or widowers without dependent children, and exceeding two thousand dollars but not exceeding six thousand dollars in the case of all other persons;

Eight per centum upon all income exceeding six thousand dollars in the case of all persons.

And in addition thereto the following surtax:

(b) One per centum upon the amount by which the income exceeds five thousand dollars and does not exceed six thousand dollars;

Two per centum upon the amount by which the income exceeds six thousand dollars and does not exceed eight thousand dollars;

Three per centum upon the amount by which the income exceeds eight thousand dollars and does not exceed ten thousand dollars;

Four per centum upon the amount by which the income exceeds ten thousand dollars and does not exceed twelve thousand dollars;

Five per centum upon the amount by which the income exceeds twelve thousand dollars and does not exceed fourteen thousand dollars;

Six per centum upon the amount by which the income exceeds fourteen thousand dollars and does not exceed sixteen thousand dollars;

Seven per centum upon the amount by which the income exceeds sixteen thousand dollars and does not exceed eighteen thousand dollars;

Eight per centum upon the amount by which the income exceeds eighteen thousand dollars and does not exceed twenty thousand dollars;

Nine per centum upon the amount by which the income exceeds twenty thousand dollars and does not exceed twenty-two thousand dollars;

Ten per centum upon the amount by which the income exceeds twenty-two thousand dollars and does not exceed twenty-four thousand dollars;

Eleven per centum upon the amount by which the income exceeds twenty-four thousand dollars and does not exceed twenty-six thousand dollars;

Twelve per centum upon the amount by which the income exceeds twenty-six thousand dollars and does not exceed twenty-eight thousand dollars;

Thirteen per centum upon the amount by which the income exceeds twenty-eight thousand dollars and does not exceed thirty thousand dollars;

Fourteen per centum upon the amount by which the income exceeds thirty thousand dollars and does not exceed thirty-two thousand dollars;

Fifteen per centum upon the amount by which the income exceeds thirty-two thousand dollars and does not exceed thirty-four thousand dollars;

Sixteen per centum upon the amount by which the income exceeds thirty-four thousand dollars and does not exceed thirty-six thousand dollars;

Seventeen per centum upon the amount by which the income exceeds thirty-six thousand dollars and does not exceed thirty-eight thousand dollars;

Eighteen per centum upon the amount by which the income exceeds thirty-eight thousand dollars and does not exceed forty thousand dollars;

Nineteen per centum upon the amount by which the income exceeds forty thousand dollars and does not exceed forty-two thousand dollars;

Twenty per centum upon the amount by which the income exceeds forty-two thousand dollars and does not exceed forty-four thousand dollars;

Twenty-one per centum upon the amount by which the income exceeds forty-four thousand dollars and does not exceed forty-six thousand dollars;

Twenty-two per centum upon the amount by which the income exceeds forty-six thousand dollars and does not exceed forty-eight thousand dollars;

Twenty-three per centum upon the amount by which the income exceeds forty-eight thousand dollars and does not exceed fifty thousand dollars;

Twenty-four per centum upon the amount by which the income exceeds fifty thousand dollars and does not exceed fifty-two thousand dollars;

Twenty-five per centum upon the amount by which the income exceeds fifty-two thousand dollars and does not exceed fifty-four thousand dollars;

Twenty-six per centum upon the amount by which the income exceeds fifty-four thousand dollars and does not exceed fifty-six thousand dollars;

Twenty-seven per centum upon the amount by which the income exceeds fifty-six thousand dollars and does not exceed fifty-eight thousand dollars;

Twenty-eight per centum upon the amount by which the income exceeds fifty-eight thousand dollars and does not exceed sixty thousand dollars;

Twenty-nine per centum upon the amount by which the income exceeds sixty thousand dollars and does not exceed sixty-two thousand dollars;

Thirty per centum upon the amount by which the income exceeds sixty-two thousand dollars and does not exceed sixty-four thousand dollars;

Thirty-one per centum upon the amount by which the income exceeds sixty-four thousand dollars and does not exceed sixty-six thousand dollars;

Thirty-two per centum upon the amount by which the income exceeds sixty-six thousand dollars and does not exceed sixty-eight thousand dollars;

Thirty-three per centum upon the amount by which the income exceeds sixty-eight thousand dollars and does not exceed seventy thousand dollars;

Thirty-four per centum upon the amount by which the income exceeds seventy thousand dollars and does not exceed seventy-two thousand dollars;

Thirty-five per centum upon the amount by which the income exceeds seventy-two thousand dollars and does not exceed seventy-four thousand dollars;

Thirty-six per centum upon the amount by which the income exceeds seventy-four thousand dollars and does not exceed seventy-six thousand dollars;

Thirty-seven per centum upon the amount by which the income exceeds seventy-six thousand dollars and does not exceed seventy-eight thousand dollars;

Thirty-eight per centum upon the amount by which the income exceeds seventy-eight thousand dollars and does not exceed eighty thousand dollars;

Thirty-nine per centum upon the amount by which the income exceeds eighty thousand dollars and does not exceed eighty-two thousand dollars;

Forty per centum upon the amount by which the income exceeds eighty-two thousand dollars and does not exceed eighty-four thousand dollars;

Forty-one per centum upon the amount by which the income exceeds eighty-four thousand dollars and does not exceed eighty-six thousand dollars;

Forty-two per centum upon the amount by which the income exceeds eighty-six thousand dollars and does not exceed eighty-eight thousand dollars;

Forty-three per centum upon the amount by which the income exceeds eighty-eight thousand dollars and does not exceed ninety thousand dollars;

Forty-four per centum upon the amount by which the income exceeds ninety thousand dollars and does not exceed ninety-two thousand dollars;

Forty-five per centum upon the amount by which the income exceeds ninety-two thousand dollars and does not exceed ninety-four thousand dollars;

Forty-six per centum upon the amount by which the income exceeds ninety-four thousand dollars and does not exceed ninety-six thousand dollars;

Forty-seven per centum upon the amount by which the income exceeds ninety-six thousand dollars and does not exceed ninety-eight thousand dollars;

Forty-eight per centum upon the amount by which the income exceeds ninety-eight thousand dollars and does not exceed one hundred thousand dollars;

Fifty-two per centum upon the amount by which the income exceeds one hundred thousand dollars and does not exceed one hundred and fifty thousand dollars;

Fifty-six per centum upon the amount by which the income exceeds one hundred and fifty thousand dollars and does not exceed two hundred thousand dollars;

Sixty per centum upon the amount by which the income exceeds two hundred thousand dollars and does not exceed three hundred thousand dollars;

Sixty-three per centum upon the amount by which the income exceeds three hundred thousand dollars and does not exceed five hundred thousand dollars;

Sixty-four per centum upon the amount by which the income exceeds five hundred thousand dollars and does not exceed one million dollars;

Sixty-five per centum upon the amount by which the income exceeds one million dollars.

8. That in lieu of the provisions of subsection two of section four of The Income War Tax Act, 1917, as amended by section three of chapter 25 of the statutes of 1918, it be enacted that corporations and joint stock companies, no matter how created or organized, shall pay ten per centum upon income exceeding two thousand dollars, but shall not be liable to pay the surtax; any corporation or joint stock company the fiscal year of which is not the calendar year shall make a return and have the tax payable by it computed upon its income for its fiscal year ending within the calendar year for which the return is being made.

9. That any persons carrying on business in partnership shall be liable for the income tax only in their individual capacity. Provided, however, that a husband and wife carrying on business together shall not be deemed to be partners for any purpose under The Income War Tax Act, 1917.

10. That a member of a partnership or proprietor of a business whose fiscal year is other than the calendar year shall make a return of his income from the business, and his tax shall be computed upon the basis of his income from the business for the fiscal period ending within the calendar year for which the return is being made.

11. That it be enacted in lieu of the provisions of subsection five of section four of The Income War Tax Act, 1917, that taxpayers shall be entitled to the following deductions from the amount that would otherwise be payable by them for taxes under the provisions of the said Act:—

(a) The amount paid by such taxpayer under the provisions of Part 1 of The Special War Revenue Act, 1915, and any amendments thereto or The Business Profits War Tax Act, 1916, and any amendments thereto: Provided that in computing the taxable income hereunder, the taxpayer shall not include any taxes paid under the said Acts in the expenses of his business, and the minister shall have power to determine any questions that may arise in consequence of any difference in the several periods for which the taxes under the said Acts and under the proposed legislation respectively are payable, and the decision of the minister thereon shall be final and conclusive. In the case of a partnership each partner shall be entitled to deduct such portion of the tax paid by the partnership under The Business Profits War Tax Act, 1916, and any amendments thereto as may correspond to his interest in the income of the partnership, provided that such deduction shall not affect the liability of the taxpayer to tax hereunder in respect of any income which does not form part of the profits assessed under The Business Profits War Tax Act, 1916, but such incomes shall be assessed for income tax purposes, in the same manner as if it were the only income of the taxpayer.

(b) The amount paid to Great Britain or any of its self-governing colonies or dependencies for income tax in respect of the income of the taxpayer derived from sources therein and the amount paid to any foreign country for income tax in respect of the income of the taxpayer derived from sources therein, if, and only if, such foreign country in imposing such tax allows a similar credit to persons in receipt of income derived from sources within Canada; provided, that such deduction shall not at any time exceed the amount of tax which would otherwise be payable under the provisions of section three of chapter 25 of the statutes of 1918, or these resolutions, in respect of the said income derived from sources within Great Britain or any of its self-governing colonies or dependencies, or any foreign country; and further provided, that the said deduction shall be allowed only if the taxpayer furnishes evidence satisfactory to the minister showing the amount and other particulars of income derived from sources within Great Britain or any of its self-governing colonies or dependencies or any foreign country.

12. That in lieu of the provisions of paragraph (i) of section five of The Income War Tax Act, 1917, it be enacted that the net income derived from any bonds or other securities of the Dominion of Canada, issued exempt from any income tax imposed in pursuance of any legislation by the Parliament of Canada, after the deduction of the interest or carrying charges, if any, in respect of such income, shall not be liable to taxation thereunder.

13. That every person required to make a return of his income under subsection one of section seven of The Income War Tax Act, 1917, who fails to make a return within the time limited therefor shall be subject to a penalty of twenty-five per centum of the amount of the tax payable, and every other person who is required to make a return under the provisions of the said section who fails to do so within the time limited therefor will be subject to a penalty of ten dollars for each day during which the default continues, and all such penalties shall be assessed and collected from the person liable to make the return in the same manner in which taxes are assessed and collected. Provided that the minister may on application extend the time for making a return in such circumstances as he may approve.

14. That the date of assessment fixed by subsection one of section ten be changed from the thirtieth day of April to the thirty-first day of October, and in default of payment within one month from the date of the mailing of the assessment notice, a penalty of five per centum of the amount of such tax shall be added thereto, and thereafter a further penalty of one per centum per month shall be added for each additional month or portion thereof during which the said tax and penalty remain unpaid.

15. That the minister may refund any tax or penalty wrongfully or illegally assessed and collected but no refund shall be allowed because of any alleged error in the assessment unless application therefor is made within twelve months of the date of the payment of the tax or penalty.

16. That any chartered bank of Canada shall receive for deposit without any charge for discount or commission any cheque made payable to the Receiver General of Canada in payment of tax or penalty imposed by this proposed legislation, whether drawn on the bank receiving the cheque or on any other chartered bank in Canada.

17. That excepting such provisions as are applicable to income tax returns and assessments of income for the year 1919, and accounting periods ending in 1919 and subsequently, and as are applicable to income tax return and assessments of income for the year 1918, and accounting periods ending in 1918, and subsequently, all other provisions of the proposed legislation shall, for the purpose of administration, be deemed and construed as having force and effect as from the date on which The Income War Tax Act, 1917, came into force.

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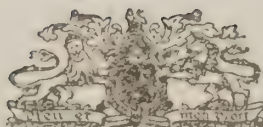
HON. SIR HENRY L. DRAYTON, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, MAY 18,

1920



OTTAWA

J. DE LABROQUERIE TACHÉ
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1920.

CANADA

BUDGET SPEECH

DELIVERED BY

HON. SIR HENRY L. DRAYTON, M.P.

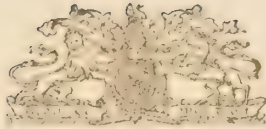
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

TUESDAY, MAY 18,

1920



OTTAWA

J. DE LABROQUERIE TACHÉ

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HOUSE OF COMMONS, TUESDAY, MAY 18, 1920

WAYS AND MEANS—THE BUDGET.

Hon Sir HENRY DRAYTON (Minister of Finance) moved:

The Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, I am afraid that on the present occasion I shall have to ask the indulgence of the House as I shall have to address the House at considerable length. The fault is not mine; the financial position of the country at the present requires, I think, to be dealt with in considerable detail.

The conditions not only in Canada to-day, but the world conditions obtaining, are very different from the conditions which did obtain while the war was in progress. During this period the compelling necessity of the moment, the winning of the war, required raising large sums of money in the easiest possible way and with the least interference with the public or with business methods. It was absolutely imperative that there should be no check in production, no questions raised which might hinder that production or hinder the war effort. It was no time for the consideration of domestic politics, which in any way might distract the nation from a united effort towards the supreme end.

These conditions to-day are changed; the war is won; expenses are great; the cost of Government operations as well as the carrying on of every business of every character in the country has increased enormously, and over and above this the country, with other countries which took their part in the titanic struggle, is faced with a pyramid of debt. The task to-day is to aid the return to ordinary economic conditions to the extent that such return is at this time possible.

The duty to-day is not only to carry on the Government of the country without any additions to the debt, but on the other hand to promote measures which will reduce the nation's obligations. The task while heavy is nevertheless not as severe and difficult as the obstacles and difficulties which the country has gloriously overcome in the five years of war and stress. Indeed, were it possible for the country to again become as united and earnest as it was during the war period, if it were possible for each and all of us to sink all differences, class and sectional interests and jealousies into an effort towards re-establishing a Canada as united and co-ordinated as that which won the war, the task would be indeed easy and simple.

Canada's soldiers during that period won for themselves and our country imperishable fame. "Their name liveth for evermore." But the productive efforts of Canada during that period were second only to their glorious record. For the five fiscal years ended on March 31, 1915, the excess of the country's imports over exports amounted to \$825,521,490. For the next succeeding five years, ended on March 31 last, this excess of imports was not only overtaken, but our exports exceeded our imports by a sum of \$1,803,442,233. It is plain in view of such a tremendous productive and industrial exploit, that if anything like the same effort is made to overcome debts, and by overcoming debts to bring about a proper deflation of prices, credits, and circulation, the task will prove well within our powers. Canada's trade while, as in the case of all countries, subject to periodical depression has steadily advanced, as the following figures will show:

Fiscal Year..	Total Trade.
1879.....	\$ 149,489,188
1889.....	196,309,107
1899.....	304,227,339
1909.....	548,139,881
1919.....	2,185,194,620
1920 (unrevised).....	2,351,174,886

The increase thus recorded is one which is contributed to practically by all of our productive agencies and is spread over a wide field. An increase in the basic industry of agriculture may be illustrated by the country's wheat production which has been as follows:

Year.	Bushels.
1870.....	16,732,873
1880.....	32,350,269
1890.....	42,232,372
1900.....	55,572,368
1910.....	132,077,547
1919.....	193,260,400

As indicating the development which has taken place in the production of our agriculture, forests, mines, and fisheries,

and the growth of our manufacturing establishments, I desire to place on record the following statistics:

AGRICULTURAL PRODUCTION—CANADA.

Year.	Field Crops.	Other Farm Produce.	Total Production.
1900.....	\$ 194,953,420	\$ 169,953,446	\$ 364,906,866
1910.....	383,366,856	279,982,334	663,349,190
1917.....	1,444,637,666	179,391,600	1,621,028,000
1919.....	1,452,437,000	523,404,000	1,975,841,000

FOREST PRODUCTION—CANADA.

Year.	Log Products and Wood Pulp.
1881.....	\$ 39,540,570
1891.....	55,266,368
1901.....	55,051,865
1906.....	72,878,051
1911.....	114,713,655
1915.....	79,767,938
1919.....	140,381,584

MINERAL PRODUCTION—CANADA.

Year.	
1889.....	14,013,113
1899.....	49,231,005
1909.....	91,831,441
1917.....	189,646,821
1918.....	211,301,897
1919.....	173,075,913*

*Subject to revision.

FISHERY PRODUCTION—CANADA.

Fiscal Year.	
1879.....	\$ 13,529,254
1889.....	17,655,254
1899.....	21,891,706
1909.....	29,629,169
1917*.....	52,312,044
1918*.....	60,243,429

*Calendar year.

MANUFACTURING INDUSTRIES.—CANADA.

Year.	Capital Invested.	Employees.	Value of Products.
1881.....	\$ 165,302,623	254,935	\$ 309,676,063
1891.....	353,214,300	369,595	469,847,886
1901.....	446,916,487	308,482	481,053,375
1906.....	846,535,023	356,034	718,352,603
1911.....	1,247,583,609	515,203	1,165,975,639
1915.....	1,994,103,272	514,883	1,407,137,140
1917.....	2,736,649,727	692,067	3,015,577,940

Co-related with the above are certain financial statistics which are interesting.

CANADIAN CHARTERED BANKS.

Year.	Paid-Up Capital and Reserve.
1888.....	\$ 79,218,565
1898.....	91,197,340
1908.....	170,885,203
1918.....	225,508,222
1919.....	243,912,111

Year.	Total Bank Deposits by the Public in Canada.
1878.....	\$ 71,900,195
1888.....	128,725,529
1898.....	248,752,085
1908.....	639,899,365
1918.....	1,669,597,617
1919.....	1,841,478,895

AMOUNT OF FIRE INSURANCE POLICIES IN FORCE.

Year—Dec. 31.	Amount.
1878.....	\$ 409,899,701
1888.....	650,735,059
1898.....	895,394,107
1908.....	1,700,708,263
1918.....	4,523,514,841
1919 (unrevised).....	4,904,396,461

AMOUNT OF LIFE INSURANCE POLICIES IN FORCE.

Year—Dec. 31.	Amount.
1878.....	\$ 84,751,937
1888.....	211,761,583
1898.....	368,523,985
1908.....	719,513,913
1918.....	1,785,061,273
1919 (unrevised).....	2,187,833,396

If the progress of the past be but a fair indication of the future, the problems of to-day and to-morrow may be faced without doubt of a successful issue.

During the period covered by the above statistics an immense railway system has been built. In 1879 the mileage of steam railways in Canada was 6,484, and in 1919, 38,896.

STEAM RAILWAYS OF CANADA.

	1879.	1889.	1899.	1909.	1919.
Miles in operation.....	6,484	12,628	17,141	24,104	33,896
Tons of freight.....	8,348,310	17,928,626	31,211,753	66,842,253	116,699,572
Gross earnings.....\$	19,925,066	42,149,615	62,243,734	145,056,336	332,976,901

A great canal system has also been constructed from tide water to the head of the Lakes at a capital cost of \$110,823,237.42 to the country. Large and commodious public buildings have also been erected, with the result that an investment has been made in Government capital accounts of \$766,912,802.71, while the Dominion ledger shows Government investments amounting to \$1,078,537,461.27.

NATIONAL DEBT.

The ledger as of March 31, 1920, shows the country's gross debt to be \$3,014,483,774.12. The capital accounts referred to are not deducted from this debt but the ledger, treating investments as active, deducts them from the gross debt and discloses a net debt of \$1,935,946,312.85. Beyond all question it is a matter of importance that the exact position of the country's debt should be clear. While the books are correctly kept and the

entries properly made, in my opinion some of the investments cannot be characterized as active investments. They are shown as follows:

Investments, etc., included in calculating Net Debt.	As of March 31, 1920.
Sinking Funds.....	\$ 21,385,930 72
Canadian Northern Railway Co.....	140,223,373 89
Grand Trunk Pacific Railway Co.....	95,345,469 19
Grand Trunk Railway Co.....	1,148,533 33
Loans to Banks.....	101,065,725 00
Advances to Trust and Loan Cos.....	3,850,000 00
Loans to Provinces (Housing).....	11,740,000 00
Loans to Provinces (Farmers).....	3,500,000 00
Imperial Government.....	171,710,168 19
Other Governments.....	34,336,117 75
Miscellaneous Investments	39,314,000 45
Miscellaneous and Banking Accounts.....	175,039,622 61
Cash.....	173,984,342 34
Specie Reserve.....	103,597,849 90
Province Accounts.....	2,296,327 90
	<hr/>
	\$1,078,537,461 27
Gross Debt.....	\$ 3,014,483,774 12
Less above.....	1,078,537,461 27
	<hr/>
Net Debt.....	\$ 1,935,946,312 85

It is obvious that the advances to the Canadian Northern, Grand Trunk Pacific, and Grand Trunk Railway Companies cannot be treated as active assets. They are not at the moment realizable; further, no interest is being paid, and in some cases the principal as well as interest is overdue. As is well known, Canada is now the owner of the Canadian Northern, receiver for the Grand Trunk Pacific, and steps have been taken for the acquisition of the Grand Trunk. While the railways have potential value, at the present time the fact is that the country itself owns the Canadian Northern and is responsible for the operation of the Grand Trunk Pacific, with resultant heavy cost to the taxpayer.

Assets which are not readily convertible, as the specie reserve is convertible, or are not interest producing, are not such assets as ought to be deducted from the gross debt. They are inactive, they are items of such a character as might well be placed in a suspense account. At any rate, whatever may be their future value, however great it may be, they are not assets of such a character as to directly reduce the gross debt any more than the other capital accounts of the country ought to be deducted from it.

I would therefore reduce the deductions made from the gross debt by the railway items already referred to, and on the same grounds after making a study of the amounts making up the \$39,000,000 odd charged to miscellaneous investments, I

would reduce that item by \$11,015,951.20, and the item, miscellaneous and banking accounts, of \$175,000,000 odd by the sum of \$56,592,463.12. While the charge against the Imperial Government is correctly stated as of the above date, beyond all question there are further contra accounts of the Imperial Government which will approximately reduce this credit item by some \$33,033,333.34. The result of providing for this contra account and of treating the inactive items as items that ought to go in suspense or capital account is to reduce the investments included in calculating the net debt by \$337,359,124.07, and to increase the net debt as shown from \$1,935,946,312.85 to \$2,273,-305,436.92.

INFLATION.

There undoubtedly is in Canada as everywhere else inflation in the price of commodities, inflation in currency, and inflation in credits. Our total issue of Dominion notes on March 31, 1914, was \$117,795,718. It reached a peak of \$337,319,309 in November, 1918, and on the 31st March last it amounted to \$311,932,791. Of this amount \$128,366,066 is issued against gold. The amount of gold required under the Dominion Notes Act, as amended, to secure an issue of this amount is \$90,866,066. Gold to the extent of \$100,286,280 is available. \$26,000,000 of the remainder of the currency was issued for national purposes under the authority of the Dominion Notes Act 1915, and secured as therein provided. \$50,000,000 was issued for the purpose of making advances to the Imperial Treasury and is secured by the pledge of approved securities, and \$107,566,725 was issued to the banks secured by approved securities largely consisting of Imperial Treasury Bills and our own Treasury Bills. As a result there has been an increase since March 31, 1914, in the circulation issued by the Dominion of \$194,137,073.

The banks' circulation on 31st March, 1914, was \$96,848,-384. In November of the preceding year a high point of \$126,-839,620 was reached. On the 31st March last it amounted to \$225,769,628. As against this increase, in the same period the holdings of the banks in cash reserves (gold and subsidiary coin) rose from \$45,661,913 to \$79,990,836, and the deposit of Dominion notes and gold in the Central Gold Reserves, earmarked for the redemption of the bank note circulation, rose from \$3,500,000 to \$108,200,000. In addition, the bank holdings in Dominion notes for general reserve purposes rose from \$96,227,-321 to \$184,152,673.

Tabulating for purposes of comparison the combined circulation of the country as of March 31, 1914, and the 31st March last, the result is as follows:—

	March 31 1914.	March 31 1920.
Dominion Note Circulation.....	\$117,795,718	\$311,932,791
Bank Note Circulation.....	96,848,384	225,769,628
	<hr/> \$214,644,102	<hr/> \$537,702,420
Less Dominion Notes held in Central Gold Reserves..	3,500,000	97,700,000
	<hr/> \$211,144,102	<hr/> \$440,002,420
Gold Held.		
By Government.....	96,161,366	100,286,280
By Banks.....	45,661,913	79,990,826
In Central Gold Reserves.....	nil	10,500,000
	<hr/> \$141,823,279	<hr/> \$190,777,106
Per cent of Total Gold to Total Outstanding Circulation	67	43

As the statement shows, the combined circulation of the country amounted on March 31 last to \$440,002,420 as against \$211,144,102 on March 31, 1914, a percentage increase of 108 per cent.

Comparing these increases with those of other countries, the Right Hon. Reginald McKenna recently stated that the circulation of Great Britain had increased 207 per cent between 1914 and the end of 1919, while the circulation of the United States, as given in the report of the Secretary of the Treasury, shows an increase of 70 per cent from June 30, 1914, to the corresponding date in 1919. The circulation of other countries taking a prominent part in the war has increased to far greater percentages.

Unquestionably, the currency in light of former gold reserves is inflated. The fact, however, is that the world over currency to an ever-increasing degree is related to movement of commodities, secured by a national guarantee supported by approved securities. This trend was apparent before the war. The best illustration is perhaps afforded by the Federal Reserve legislation of the United States. Under that legislation, currency issued by Federal Reserve Banks requires a gold reserve of 40 per cent and no currency stands higher.

Under all the circumstances, bearing in mind that Canada before the war had to borrow abroad to finance her own requirements, bearing in mind that during the war and since the Armistice she has not only financed herself but has also extended credits to other nations, the situation of the country's currency is very remarkably good. The percentage of the gold reserves to the Dominion and bank note circulation is 43 per cent. The percentage of gold to the total circulation of Great Britain based on 1919 figures is 26 per cent and of the United States approximately 55 per cent.

The circulation, large as it is, is all required. The greatest demand that actual circulation has to meet is the pay-envelope. In view of to-day's conditions the world over on a greatly increased wage scale, much more circulation is now required for this purpose. The increased prices of commodities mean that more money must be kept in the tens of thousands of shop tills all over the country. The constantly increasing demands on the Mint tell their own story. In 1914, 11,770,108 pieces of coinage were turned out; in 1919, 35,986,003 pieces, and for last March, 2,677,874 pieces were coined as against 806,646 pieces in March, 1914.

Increased credits have contributed and contributed largely in the first instance to the abnormal increase in the cost of commodities, and to a lesser extent increased circulation contributed to the same result. The cost of commodities under new high standards once having been arrived at, however, if business is to continue in Canada under existing world conditions, both the inflated currencies and inflated credits are at the moment necessary to support it. The high prices in Canada could not be and were not made by Canadian action alone. They are the result of the general trend in the prices of commodities the world over, and to-day were it possible to suddenly deflate Canadian credits and circulation, with the general demand for commodities that to-day exists, the influence on the general situation would be negligible. Prices would continue high and the only result to the Canadian public consequent on the withdrawal of purchasing power would be stagnation of business, unemployment, and loss of production.

As stated, inflation of credit has more to do with increased buying power and therefore, with that increased buying power, has more to do with affecting the cost of commodities than circulation. It is true that in part these credits are increased by an inflated circulation, but the circulation deposited in banks from time to time plays but a small part of the total deposits. Every credit transaction, every advance made by a bank to a customer inevitably produces a corresponding deposit in the banks of that customer's creditor or creditors. The net result is to increase bank deposits by the extent of the credit and to increase the liabilities of the bank granting the credit without any corresponding increase in its cash assets. Obviously, if the money advanced is to be applied in a productive agency which would be carried on with a profit and result in a large gain of commodities to the country, there is no inflation. On the other hand, the business situation has been improved.

The credit basis, which is more vicious than any other basis, is that which is given for Government expenditure on non-productive objects and which does not result in any addition to the

national production. Every loan for an unproductive purpose that the Government makes, no matter how successful it be, to some extent at any rate increases the credit inflation of the country. It either does it directly, as in cases where money is loaned to loan subscribers by the banks for the purpose of enabling them to take up the Government's securities, or indirectly by taking away from the productive agencies of the country savings which otherwise would be available for them, rendering it necessary for the banks to enlarge credits for essential purposes of production which otherwise would have been met by the savings of the nation. Government borrowing, in other words, has the effect of removing capital, the tool of industry, from its ordinary and legitimate purpose of industry and production. It ought to be noted that in Canada the loan situation is extremely satisfactory. Not only has the great bulk of our loans been subscribed to by our own people but in connection with all our large popular issues not one single bond has been subscribed to by the banks. Canadian banks are not loaded with governmental securities.

The increase in bank deposits which has been brought about in Canada is in a very similar ratio to that which has happened in other countries. Our total deposits on 31st March, 1914, amounted to \$991,734,246, and on the 31st March last amounted to \$1,855,131,598, an increase of 87 per cent. In England, according to Rt. Hon. Mr. McKenna, bank deposits increased 115 per cent from 1914 to 1919, while in the United States an increase of 80 per cent in total deposits occurred between 1914 and 1919.

In Canada it may be noted that the Government's war borrowings amounted in round numbers to \$2,000,000,000 as against an increase in deposits amounting to \$863,397,352. As a result, the increase in public purchasing power gauged by the total currency in circulation and total bank deposits in Canada increased 91 per cent in 1919 over the figures of 1914. In England the increase was 125 per cent and in United States 78 per cent.

The commerce of the country still requires ample credits. On the 31st March, 1914, the total of loans made by the Canadian banks amounted to \$928,184,060, and on the 31st March last the loans amounted to \$1,527,078,232, an increase of 65 per cent. This large sum does not include any advance to the Government. Although the business men of the country and those requiring accommodation are now enjoying this great increase in credits, the fact is that from available resources the banks in Canada as well as in all other countries ought not to meet the full requests made for further credits, apart entirely

from the injurious effect credits still further increased would have on the general economic situation.

The situation is therefore one in which it is impossible by any direct Government action to bring about deflation either in circulation or in credits without great danger of economic disaster. Inflation can only safely be cured in this as in other countries, by the Government and Provincial Governments stopping further loans, and by all governmental institutions, including municipalities and indeed every individual whose circumstances permit it, reducing expenditure whenever possible and by an increased production in all our forms of productive industry.

While the trade figures of the country show advances in the value of our production and exports, and while these figures correctly show our standing and growth as compared with those of other nations, the fact must not be lost sight of that these figures are based on the inflated values to-day obtaining and that expressed in quantities the production of the country instead of increasing has actually decreased. Without wearying the House with statistics, it is sufficient to merely point to the best indicator of trade activities, that is, the amount of tonnage handled by the country's railroad system.

Those statistics show that in 1918 our railways handled 127,543,687 tons of freight. This indicates a remarkable activity particularly in view of the fact that many of the country's best workers were overseas and that relatively a very large proportion of our population was withdrawn from agriculture and industry. It is specially significant in view of the fact that in the year 1914, with our men at home, the freight handled only amounted to 101,393,989 tons. The tonnage handled last year, however, only amounted to 116,699,572 tons. Instead of decreasing our production the imperative necessities of the country required that it should be largely increased, not only to assist in financing and carrying on the country's operations but also to assist in bringing about that reduction of the present high cost of living which is so much desired.

TRADE.

I have already referred to the aggregate trade for the past year and the favourable balance that has developed over the past five years. The results of the past year require a greater detail. Canada's external trade in 1919-20 resulted in a favourable balance of \$220,000,000. The chaotic condition of foreign exchange during the year was not without its influence on our business abroad and tended to complicate the readjustment of international trade. In the United Kingdom—our largest selling market—the Canadian dollar was at a premium ranging

from 1 to 22 per cent, while in the United States, where some 75 per cent of the national purchases are made, our dollar has been at a discount of from $2\frac{3}{4}$ per cent to $17\frac{1}{2}$ per cent.

The rate of exchange thus worked against Canada in her chief selling market as well as in her chief purchasing market. An appreciated currency assists national buying in any market, in which it is at a premium, while purchases are made proportionately the more onerous when made in a market where the currency is at a discount.

Our total imports from the United Kingdom amounted to \$126,274,000, which is \$53,000,000 greater than in 1919 and very nearly, as expressed in dollars, equalled our pre-war trade with the Mother Country. Her purchases from us totalled \$489,000,000, a decrease of \$51,000,000 from 1919, the balance of trade being \$363,000,000 in Canada's favour. While our exports to Great Britain have fallen off, it should be noted that the 1919 figures included about \$170,000,000 for munitions and war materials. To the extent of \$120,000,000, therefore, this transient trade has been replaced by trade of a more permanent character. The increase in imports from Great Britain has been very marked in recent months. They rose from a low point of \$5,204,979 in April to \$25,555,386 in March, the latter figure constituting not only a record but an extraordinary increase. Figures for the last six months have been as follows:—

October.....	\$ 8,655,848
November.....	10,919,282
December.....	9,888,075
January.....	16,414,503
February.....	14,953,730
March.....	25,555,386

The increase in imports from the Mother Country is very gratifying and is very significant. The greatest previous volume of her monthly exports to Canada prior to the war was \$14,395,740 in March, 1913. It is to be noted that the good old Mother Country very nearly doubled March last, the greatest amount of exports she has ever sent to this country.

Exports to the United States amounted to \$464,000,000, increasing by \$9,000,000, while imports from that country reached the unprecedented figure of \$802,000,000 exceeding 1919 imports by \$55,000,000. The year's trading, therefore, resulted in an unfavourable trade balance of \$338,000,000. The volume of imports from the United States is all the more remarkable owing to the fact that for a considerable period of the year the adverse exchange rate which has obtained has added to the extent of the depreciation of our money in New York an additional cost to the Canadian purchaser. It is apparent that the mere question of cost has not weighed very much upon the Canadian buyer. Undoubtedly, the exchange rate is against the interests of our national buying from the United States.

If practicable it ought to be remedied but it cannot be properly remedied by any artificial means. It will be remedied and can only be permanently relieved when sterling advances to its normal position and Canada's interchange of commodities with United States is reduced to a more reasonable ratio.

The following compilations indicate the trend of our trade both as to imports, exports, and total trade: (1) with all countries; (2) with the United Kingdom; and (3) with the United States, for the last three years and for the pre-war years of 1913 and 1914:—

CANADIAN TRADE—MERCHANDISE ONLY.

—	Imports for Consumption.	Exports Domestic and Foreign.	Total Trade.
Fiscal Year ended March 31st—	\$	\$	\$
1913.....	670,089,066	377,068,355	1,047,157,421
1914.....	618,457,144	455,437,224	1,073,894,368
1918.....	962,543,746	1,586,169,792	2,548,713,538
1919.....	916,429,335	1,268,765,285	2,185,194,620
1920 (unrevised).....	1,064,516,177	1,286,658,709	2,351,174,886

TRADE WITH UNITED KINGDOM.

—	Imports for Consumption.	Exports Canadian Produce.	Total.
Fiscal Year ended March 31st—	\$	\$	\$
1913.....	138,741,736	170,161,903	308,903,639
1914.....	132,070,362	215,253,969	347,324,331
1918.....	81,302,403	845,450,069	926,752,472
1919.....	73,035,118	540,750,977	613,786,095
1920 (unrevised).....	126,274,365	489,151,552	615,425,917

TRADE WITH THE UNITED STATES.

—	Imports for Consumption.	Exports Canadian Produce.	Total.
Fiscal Year ended March 31st—	\$	\$	\$
1913.....	435,770,081	139,725,953	575,496,034
1914.....	395,565,328	163,372,825	558,938,153
1918.....	791,906,125	417,812,807	1,209,718,932
1919.....	746,920,654	454,873,170	1,201,793,824
1920 (unrevised).....	802,095,452	464,029,273	1,266,124,725

The following statement indicates the dislocation brought about by the war in our two chief markets, Great Britain and the United States. (Expressed in percentages of the whole.)

—	Pre-War.	Post War.	
	Year ended Mar.31st, 1914	Year ended Mar. 31st, 1919	Year ended Mar. 31st, 1920
<i>Canada's Purchases.</i>			
From United Kingdom.....	21·35%	7·96%	11·86%
From United States.....	63·96%	81·50%	75·44%
<i>Canada's Sales.</i>			
To United Kingdom.....	48·81%	44·20%	38·54%
To United States.....	38·85%	37·66%	38·94%

REVENUE, 1919-20.

The revenue for the fiscal year ended 31st March last will when the accounts are finally closed reach approximately \$388,000,000. This is the largest revenue that the country has ever collected. Instead of lessened receipts, as conditions at the time the last Budget was prepared seemed to indicate, the revenue of the preceding year has been exceeded by \$75,000,000, and the country's revenue for 1920 was no less than \$255,000,000 greater than that of the first year of the war. The chief sources of revenue were as follows:

Customs.....	\$ 169,000,000
Excise.....	43,000,000
Post Office.....	22,000,000
Business Profits War Tax.....	44,000,000
Income Tax.....	20,000,000
Other War taxation.....	17,000,000

EXPENDITURE, 1919-20.

The consolidated fund ordinary expenditure will be approximately \$349,000,000. This sum of \$349,000,000 includes \$108,500,000 interest on public debt, \$26,000,000 for pensions, and \$49,000,000 for Soldiers' Re-establishment.

For investment and capital outlays, beyond the ordinary current expenditure of \$349,000,000, an expenditure of \$187,856,991 is estimated. The resultant total is \$536,741,110 and represents the outlay of Canada for all purposes apart from war during the past year.

With a total revenue of \$388,000,000 and an ordinary expenditure of \$349,000,000, it will be seen that during the fiscal year 1919-20 the Government, after meeting all ordinary expenditure, including an increased amount for interest account and pensions over the previous year totalling nearly \$39,000,000, has a surplus of approximately \$39,000,000 over ordinary expenditure, to apply to capital expenditure.

The demobilization expenditures for 1919-20 will amount to \$350,000,000, making a total outlay for the year of \$886,741,110. Our total expenditure for the war, up to and including the 31st March, 1920, now amounts to \$1,674,000,000, apart altogether from such expenses resulting from the war, as Pensions, Soldiers' Civil Re-establishment, Soldiers' Land Settlement, and interest on war debt.

DEBT.

During the year just passed the country paid off a floating debt of \$247,000,000 out of the proceeds of the Victory Loan issue of 1919. The floating or short date indebtedness of the country at the close of the year amounted to only \$88,956,000.

The addition to the debt during the year amounted to \$395,000,-000 and the position of the net debt has already been referred to.

EXPENDITURES FOR 1920-21.

The Main Estimates for 1920-21 total \$537,149,428 and Supplementary Estimates for \$12,500,000 for bonus purposes have been tabled, with the question of Main Supplementary Estimates still standing.

In the above-mentioned Estimates already brought down certain considerable amounts classified as investments are included as follows:

Soldiers' Land Settlement Loans.....\$	50,000,000
Loans to Canadian Northern Railway Company	48,600,000
For Railway Equipment purposes.....	17,000,000
Loans to Provinces for better Housing purposes	13,300,000

to which ought to be added \$20,000,000 for shipbuilding programme included in the above Estimates as "Public Works (Marine Department), Capital."

The estimated expenditure on ordinary account for the present year is: Main Estimates, \$328,500,000 and Civil Service bonus, \$12,500,000. Of this, \$140,000,000 represents interest on public debt, an increase over 1919-20 of \$31,500,000. An estimated expenditure on capital account of \$41,000,000 is also included in the total of \$549,649,428. There will be no separate Act providing for demobilization expenses this year. The Main Estimates contain provision for \$38,463,400 for this purpose and also cover distributed items to the amount of \$1,745,624 for services paid out of the demobilization appropriation last year. In order to compare the expenditure proposed for all purposes apart from the war with that of the past year the amount then of \$40,209,024 must be deducted from this year's Estimates. As these Estimates are also enlarged by an unescapable increase of \$31,500,000 in debt interest, it will be found that for comparable expenditures, notwithstanding increased costs of service, a saving of \$71,709,024 is indicated.

PROBABLE INCOME FOR THE PRESENT FISCAL YEAR, 1920-21.

The revenue for the year ending 31st March, 1921, estimated on the basis of existing fiscal legislation, and assuming that values of importations for customs purposes remain practically the same as for 1919-20, should amount to \$381,000,000 as follows:

Customs.....\$	167,000,000
Excise.....	43,000,000
Post Office.....	22,000,000
Government railways for 9 months.....	28,000,000
Business Profits War Tax.....	40,000,000
Income Tax.....	35,000,000
Other War Taxation.....	17,000,000
All other revenues.....	29,000,000

The revenue from the Government railways for 1919-20 is put at \$42,500,000. For 1920-21 only \$28,000,000 is taken into account on the assumption that at the end of this calendar year the revenue from Government railways will be under the control of the Canadian National Railways, and applied directly against the working expenses of such railways, which will be correspondingly reduced in our estimate of ordinary expenditures for the year.

Including the estimated revenue of \$381,000,000, cash on hand and outstanding accounts including balances due from Great Britain make a whole total of \$720,441,752.88. In all probability the whole of these accounts will not be collected within the year and \$571,000,000 will more accurately represent the actual cash resources for the year. No further loan, as already pointed out, ought to be made. In addition to the commitments already mentioned, certain floating obligations mature during the year. They are as follows:

Treasury Bills, Oct. 1st, 1920.....	\$ 24,605,000
Treasury Bills, Oct. 15th, 1920.....	49,215,000
Debenture Stock, June 1st, 1920.....	238,400
Total.....	\$ 74,058,400

The revenue of the year and cash assets available should at least not only carry current expenditure but retire this debt.

GRAND TRUNK ACQUISITION.

The current expenditure, however, will be greater this year than that already indicated. Deficits on the railway system have been reported in the Main Estimates. These deficits during the readjustment period will be materially increased by the acquisition of the Grand Trunk. The primary object of the acquisition of the Grand Trunk was to render efficient and properly complete the National system. The country had a large railway investment with proper terminal facilities in the West, but, speaking generally, lacking them in the East. The railway burden was also largely increased by the failure of the Grand Trunk Pacific promoted and owned by the Grand Trunk. The country was faced with the necessity either of providing new terminals at great cost in eastern centres, leading to a still greater railroad duplication, or of acquiring the Grand Trunk system. The traffic centres of the East had to be opened to the National system if that system was to be put upon a proper basis and enabled to properly compete in all through-traffic. Over and above this, the Grand Trunk was acquired for the purpose of reducing existing duplication and enabling extensive operating economies to be made.

Over and above these considerations, the acquisition of the Grand Trunk was highly desirable in order to prevent the insolvency of the line and the consequent breakdown of railroad facilities in the districts served by that system. Railway receiverships in some instances do not carry with them serious consequences, but in the case of the Grand Trunk a receivership would be exceedingly objectionable owing to the fact that the company's system is composed of many separate railway corporations having in instances separate obligations and different creditors, rendering a re-organization as of a completed system very difficult. Such re-organization would be attended with still greater difficulty owing to the fact that part of it would take place under the direction of United States courts and part under the direction of Canadian courts. The dislocation of business would have been exceedingly great and the inconvenience and loss to Canadian shippers and consignees and to Canadian business heavy.

Some economies ought to be effected in the near future, but with the arbitration pending it is improbable that full benefit of the Grand Trunk acquisition can be expected in the current year. It will be necessary to make advances to the company to cover past due operating obligations. These advances will constitute obligations of the company and as such must be taken into account in the arbitration. In addition to this, advances of necessity will be made to provide for this year's operations, including the acquisition of necessary rolling stock.

The abstract of the company's cash book as of February 21 last shows obligations overdue or shortly payable amounting to \$18,710,588, made up in large part of unpaid vouchers, bank overdrafts, drafts held for acceptance and short date notes given for supplies. As against these debts the Grand Trunk has supplies on hand and certain capital accounts as against which no capital issue has been made. They are, however, not of a character which can be relied upon for the purpose of supplying cash to meet these liabilities.

The approximate amount to cover advances for the purposes above mentioned is \$28,000,000.

Railway difficulties and overdrafts ought now to be at their peak. Proper co-ordination and economies will, just as soon as the Grand Trunk arbitration is over, be practicable and will be put into effect. The balance sheet, however, inevitably depends on the cost of carrying on business, which has been very greatly increased, and the general rate schedule. The serious drain made by the railways on the country's finances ought to be materially lessened.

As a matter of common justice to Canada it should be stated that the charges of unfairness levied against Canada

by different shareholders at Grand Trunk meetings, are unfounded. The simple fact remains that if the Grand Trunk had not been taken over the shareholders in all human probability would have lost their whole investment. It is entirely untrue that the Government forced the company to pay a highly increased wage scale and at the same time, prevented it from raising its rates either directly or through the Board of Railway Commissioners. The chairman of the Grand Trunk is reported to have made the following statements at the special general meeting of the company:

I knew there were influential men in Canada who thought the policy the Government should pursue was to let us alone, and that the weaker we became the easier we could be dealt with—(hear, hear)—they knew we were being forced by the Government to carry on under impossible conditions—conditions over which we had absolutely no control. What were those conditions? That we should meet every order issued by the Canadian Railway War Board to increase wages by immediate compliance, notwithstanding that no increase of rates to meet the increased expenses was allowed. . .

In 1918 an increase of freight rates was granted on a great portion of the freight carried, something under 15 per cent in March and something under 25 per cent in August. Notwithstanding this, owing to a further serious increase of wages being ordered by the Canadian Railway War Board, without any corresponding increase in rates, there was an actual decrease in net profit for 1918. The gross traffic for 1918 amounted to £12,600,000, as compared with £9,800,000 in 1917, or a gross increase of £2,700,000, but the working expenses increased by £2,900,000, or a net loss of £200,000 for 1918.

In 1919, the accounts of which are not yet complete, the gross earnings are estimated at £14,000,000, as against £12,600,000 in 1918, or an increase of £1,400,000. Owing, however, to another large increase in wages being ordered by the Canadian Railway War Board—again without any increase in rates—it is not expected there will be any increase in net profit, and consequently the company will only be able to meet its fixed charges. Thus, in each of the three years—1917, 1918, and 1919—in consequence of being compelled, by order of the Canadian Railway War Board, to grant increased wages without sufficiently increased rates, the shareholders lost on the average at least between £1,250,000 and £1,500,000 in each of those three years, which they ought to have received in dividends.

The direct imputation conveyed to the shareholders was that the Railway War Board was a governmental institution to whose orders railways were subject. It was not. That board was not a statutory body but was an organization formed by the railway companies (including the operators of the Intercolonial) for the express purpose of more perfectly co-ordinating their activities and for the purpose of dealing with large railway questions. The board was organized in 1917. The Grand Trunk's representation was as follows: Mr. Howard G. Kelley, a president, and Mr. W. E. Gillen, chairman of the Administrative Committee. Mr. Gillen subsequently retired and Mr. W. D. Robb, a vice-president of the Grand Trunk, was elected a member of the Administrative Committee. In 1919 the board was reorganized as The Railway Association of Canada with Mr. Kelley this time as sole president and with Grand Trunk representation on every Committee. The organization was entirely a railway organization. It was not a Government organization. The organization had, however, no control over

railroad rates. The Grand Trunk has American lines as well as Canadian lines. It has traffic originating at American points for Canadian destinations. The rate for the shorter haul in Canadian territory cannot obviously be greater than the rates on the longer haul for Canadian destinations from American territory. Subject to this consideration, and just as soon as action was taken by the American Commission, every application made by the company for a general increased tariff during the whole of the war period was given effect to, and I am informed by the Board of Railway Commissioners that there is no general application for an increase of rates by the Grand Trunk Railway Company pending or refused, nor was any application of that character pending at the time the meeting was held. The highest dividend distribution of the Grand Trunk amounted to \$4,736,241.22. The average dividend payments are much lower without deductions being made for deficits of the Grand Trunk Pacific (the subsidiary of the Grand Trunk and organized by it) which were met by advances made by the Parliament of Canada to an amount in excess of \$50,000,000.

LUXURY TAXES.

Not only is more revenue necessary but extravagant and luxurious expenditure ought to be checked. Just so long as expenditure on non-essentials and extravagant expenditure continues, just so much longer will the drop in the value of essentials be postponed. On those having income more than necessary for properly maintaining themselves and families, there rests a special duty of saving whenever possible and in this manner adding to the available financial resources for development and for industrial undertakings. Extravagant buying should stop. With this end in view, as well as for necessary revenue, it is proposed to levy on certain specified articles excise taxes which are to be paid by the purchaser to the vendor at the time of sale for consumption or use, or on importation for consumption or use other than resale. Upon certain articles of wearing apparel, such as boots, shoes, etc., in excess of \$9 a pair, men's and boy's suits in excess of \$45 each, fur coats and robes in excess of \$100 each, women's dresses in excess of \$45 each, women's suits in excess of \$60 each, men's and women's overcoats in excess of \$50 each; hats, hose, neckwear, shirts, purses, and gloves bought above specified prices, and on fans and opera cloaks, it is proposed to levy a tax of 10 per cent of the total purchase price. The women are given a little preference over the men because men's suits in excess of \$45 will be taxed, whereas women's suits up to \$60 will be exempt from taxation.

Mr. BUREAU: Where does the influence come from?

Sir HENRY DRAYTON: The same rate of tax is to apply to trunks in excess of \$40 each, valises, suitcases, etc., in excess of \$25 each; ivory handled cutlery, cut glassware, velvet and silk fabrics, lace, ribbons, silk embroideries, and sporting goods.

Under the terms of the French Treaty silks, velvets, lace, and silk embroideries were given a preferential treatment. Not only was France interested in the Treaty but other countries making like importations received full benefits of the Treaty. These countries amounted to eleven in number, including Japan and Switzerland. The operation of the French Treaty ceases on the 19th June next, and thereafter, subject to what further action may be taken when the tariff is revised, these articles will take rates from 30 to 35 per cent instead of the present rates ranging from 20 to 27½ per cent.

In addition to this, these luxuries will be subject to the above excise tax of 10 per cent on the whole of their purchase price.

A similar tax of 20 per cent of the total purchase price is to be levied upon such articles as cigar and cigarette holders and pipes in excess of \$2.50 each, humidors and other equipment for smokers, hunting, shooting, and riding garments, fancy pocket knives, gold, silver, ebony and ivory toiletware, articles of silver adapted for household or office use, jewellery, fur wearing apparel (except as provided above), liveries, oriental rugs, expensive carpets and curtains, and chandeliers.

An excise tax of 10 per cent will also be payable at the time of sale by the Canadian manufacturer or when imported on boats, yachts, canoes, and motor boats (when used for commercial purposes refund of tax is provided for), cameras, candy and confectionery, firearms, shells or cartridges, pianos, organs, musical instruments, and plated ware adapted for household use.

A like tax of 20 per cent will be imposed upon mechanical player pianos, graphophones and mechanical musical instruments and records used therewith. Articles of gold adapted for household or office use will be taxed to 50 per cent of the selling prices. A specific tax on playing cards is also provided for. On all cards selling at wholesale rates not over \$25 per gross packs, the tax will be 25 cents a pack and in excess of \$25, 50 cents a pack.

EXCISE TAX ON MOTOR CARS.

A large revenue was received during the year from taxation on motors which totalled \$12,962,365, of this amount \$6,378,171 being from customs duties and \$6,584,194 from excise. The

taxation of motors would seem to be a reasonable and proper source of revenue. The field, however, has been always occupied by the provinces, and instead of taxing motors generally, it has been determined to increase the excise tax, which is chargeable both on Canadian and imported cars, from 10 to 15 per cent.

BEER, WINE, AND SPIRIT DUTIES.

It is also proposed to increase the duties on beer, wine, and spirits.

Mr. LAPOINTE: That is cruelty.

Mr. BUREAU: There is no more beer.

Sir HENRY DRAYTON: I hasten to reassure my hon. friend that we do not class 2 per cent as beer, and it is therefore not subject to the tax. The proposals call for an increase in the duties on beer of 30 cents a gallon, on non-sparkling wines, 30 cents a gallon; on spirits, \$2 a gallon, and on sparkling wines, \$3 a gallon. These are in excess of the present duties, both customs and excise.

Mr. BUREAU: That is the best prohibition law passed yet.

SALES TAX.

Sir HENRY DRAYTON: In view of the necessities of increased revenues, a tax of one per cent on the sales of all manufacturers, wholesale dealers, jobbers and importers is proposed. The tax will not include retailers as such but will include the goods manufactured or imported by any retailer although manufactured or imported by such retailer for retail sale by himself. Consideration must also be given to the cost of essentials and on this account it has been determined that the tax will not apply to sales of meats, fresh, salted or pickled; butter, cheese; oleomargarine, margarine, butterine, or any other substitute for butter; lard, eggs, vegetables, fruits; grains and seeds in their natural state; buckwheat meal or flour; pot, pearl, rolled, roasted or ground barley; cornmeal, oatmeal, or rolled oats, rye flour, wheat flour; coffee, green, roasted or ground; tea, salt, cattle foods, hay and straw, nursery stock; fish, fresh, pickled, salted, smoked, dried or boneless; sugar, syrups and molasses; anthracite or bituminous coal; artificial limbs and parts thereof, or to goods exported.

The sales tax ought not to be used as a basis of further profits and must not, therefore, be included in the manufacturer's or wholesaler's costs on which profit is calculated. The tax when not absorbed by the vendor must then be included in his invoice as a separate item.

STAMP TAXES.

The existing tax on cheques will be continued, but the rate increased on bills of exchange and promissory notes so as to provide a 2 cent tax on all bills or notes of \$100 or less and for every additional \$100 or fractional part thereof 2 cents more. A tax of 2 cents for each share of stock transferred is also proposed.

The method of collecting stamp duties on patent and proprietary medicines and perfumery will be changed by having the stamps affixed by the manufacturer or importer instead of the retailer at the time of sale. The stamps are not to be included in the costs of the manufacturer or importer but if not absorbed by the seller are to be added in the invoice as a separate item.

REMOVAL OF TAX ON MOVING PICTURE FILMS.

Under existing legislation a special tax is collected on films used in moving picture theatres. The tax provided is a charge of 15 cents per film for each day upon which such film is used. It has been found that this duty has worked a hardship on small movie theatres. Many complaints have been received and it has become apparent that the tax in the case of the small theatres sometimes represents a charge of as high as 6 or 7 per cent of its total receipts, already subject to municipal and provincial taxation, while in the case of large theatres the tax amounts to less than 1 per cent of receipts. Undoubtedly the present tax is unfair in its incidence and it has been decided to remove it. Movie theatres and other forms of amusement would appear in the first instance proper subjects of taxation, but it is felt that if these theatres are to be subject to further taxation, it ought to be done by an increase in the existing forms of taxation imposed by the provincial and municipal authorities, rather than by a new federal tax.

INCOME TAX.

The income tax rate was substantially increased last year so as to bring it up to the increased United States rates. The increase was material as the following examples indicate:

On incomes of \$	5,000 from \$	100 to \$	120 an increase of.	\$	20
"	10,000 from	392 to	590	"	198
"	20,000 from	1,382 to	1,990	"	608
"	30,000 from	2,702 to	3,890	"	1,188
"	50,000 from	5,782 to	9,190	"	3,408
"	100,000 from	17,607 to	31,190	"	13,583
"	200,000 from	50,957 to	93,190	"	42,233
"	500,000 from	195,407 to	303,190	"	107,783
"	1,000,000 from	499,157 to	663,190	"	164,033

The corporation tax was in like manner increased from 6 to 10 per cent.

These large increases will be payable this year for the first time. It is anticipated that they will yield approximately an additional \$15,000,000. That our measures of taxation must in view of our geographical situation have regard to United States legislation is a principle that has found general acceptance. I do not desire to question it. But revenue is urgently required and a difference of 5 per cent in these individual and corporation taxes will not deter immigration and the investment of outside capital so essential to our national development and growth. It is therefore proposed to increase these taxes on incomes of \$5,000 and upwards by 5 per cent. The increase will be made effective this year. As a result the tax on a personal income of \$5,000 will be \$126 as against a levy of \$100 last year, and on an income of \$50,000, \$9,649.50 as against \$5,782 last year. In the case of a corporation with an income of \$100,000, the rate this year will be \$10,500 as against \$6,000 last year.

COLLECTION OF INCOME AND PROFITS TAXES.

These taxes are not collected with desirable despatch and under the existing Acts there is reason for vexatious delays. An assessment once made by the department stands. As a result any zealous officer makes no assessment until satisfied that he has made every possible check and has exhausted all avenues of information bearing on the taxpayer's income. In addition to this, the business profits tax requires an exhaustive inquiry into the company affected—an inquiry which covers the question of the true amount at which capital stock should be valued, often resulting in shares being valued considerably below their actual selling market value, and also covers the liquid and other debts and obligations, liquid and other assets, depreciation and maintenance. In many cases personal incomes depend on the ascertainment of business profits taxes. The result is delay, loss of interest, and added difficulties in finally collecting the tax. Delay is inseparable from the business profits tax. The situation can, however, be materially improved in so far as the ordinary income tax is concerned.

A Bill will be introduced making each taxpayer in the first instance his own assessor. For the guidance of the taxpayer a plain table will be either attached to or included in the form of return showing exactly what taxes are payable on incomes of various amounts. The taxpayer will with his return include his cheque, either for the taxes properly payable by him or for an amount not less than 25 per cent of that sum—the remaining 75 per cent to be paid in three equal bi-monthly instalments, the first of such bi-monthly instalments to be paid at the expiration of two months after the return is made, and so that the whole

amount of the tax will be paid in six months after the return is made. Interest will be charged at the rate of 6 per cent. on all payments made on instalments. The returns will be carefully checked by the department and in all cases where it is discovered that overpayment has been made by the ratepayer, a refund for the amount must be immediately made to him or applied on any instalment due or becoming due. If investigation shows that the taxpayer has misstated his income, penalties will be provided. A mistake of 10 per cent in income might well arise from bona fide error and no penalty is proposed, except that the further payment found to be due will carry interest at the rate of 10 per cent per annum. Where the actual income exceeds 10 per cent and does not exceed 20 per cent of the amount shown by the taxpayer's return, a penalty of 50 per cent will be provided, and where the deficiency is greater than 20 per cent a penalty of 100 per cent will be provided. These penalties will be calculated on the amount the returns are deficient. The proper tax with interest at 10 per cent must also be paid.

BUSINESS PROFITS WAR TAX.

Many representations have been made against the continuance of the Business Profits War Tax. The tax is charged with being largely responsible for the high cost of living. It is held that it is impossible to fairly collect and administer the tax owing to the different characteristics of different businesses and to the fact that what is a fair profit in one class of business is entirely inadequate in another, and further that the capitalization of companies differs very very widely in proportion to their activities and to their resultant profits, so that some companies are taxed on the same amount of income, derived from the same class of business, very much more heavily than others. It is attacked on the ground that it directly contributes to extravagance and places a premium on inefficiency, that in many instances companies in providing for the tax have advanced their costs in far greater proportion than was at all necessary to provide for these payments and still keep their business in a flourishing condition. It is further contended that much of the profits are represented by necessary plant extensions and by stocks of commodities on hand which have been bought and are valued at current high prices, so that 100 per cent of profits shown by the books are rarely if ever represented by cash.

Much undoubtedly can be said against the Business Profits War Tax. Under normal conditions it would indeed be hard to find any argument which would justify its continuance. We are not yet, however, under normal conditions. Supply has not yet caught up to demand, and in some lines of business activity, at any rate, the salutary effects of competition are, as a

result, not in play, and whatever can be said against the Business Profits Tax, it at least has meant that a substantial sum of money has been recovered for the country out of large profits.

Business in 1919 was carried on under the existing Business Profits Tax and to the full extent that it was possible for companies to avoid the tax and pass the full incidence to others, that will already have been done. During the current fiscal year our business profits revenues will come from 1919 profits, the tax being levied under last year's Act at the maximum rates. It may possibly be that with another year, business will be more normal and that no Business Profits Tax ought to be levied. It undoubtedly is probable that some measure of deflation and retrenchment will have occurred, that there will be some decrease in the inflated prices of commodities, and it is in the interest of the country that business concerns should be able to make some provision for shrinking price lists and decreased buying power of their customers. Our Business Profits Tax is at a high rate. It makes no allowance for pre-war profits, however large they may have been, but fixes an arbitrary return of 7 per cent on the capital employed before the tax commences to operate. Unquestionably, with the higher return money to-day commands, 7 per cent is not a reasonable reward for commercial ventures. It has been determined that it is impossible to stop immediately the imposition of the Business Profits Tax, and a resolution will be introduced which will provide for the continuance of a tax of this character, but on a reduced scale, on the profits derived during the year 1920, the tax being payable in 1921. The present exemption will be extended from 7 to 10 per cent, the schedule of taxation to be as follows:

	Tax.
On profits in excess of 10% but not exceeding 15%.....	20%
On profits in excess of 15% but not exceeding 20%.....	30%
On profits in excess of 20% but not exceeding 30%.....	50%
On profits over 30%.....	60%

The present Act provides a different scale of taxation for the profits of businesses with capital of not less than \$25,000 and under \$50,000, being one-quarter of all profits exceeding 10 per cent on the amount of the capital employed. It is proposed to reduce this tax from 25 to 20 per cent.

It has been felt that the concessions made in the proposed amendments are sufficient for the purpose of enabling firms to set aside more of their profits to reserves or plant extensions and to put their businesses in a better position to meet the deflation period, while at the same time a check will still be held on abnormal profits.

REMOVAL OF CUSTOMS WAR DUTY.

The general war customs duty of $7\frac{1}{2}$ per cent was repealed last year in so far as articles of food, clothing, agricultural implements, and fertilizers, as well as some other items are

concerned. It, however, still obtains on a large part of our importations, approximately thirty million dollars of revenue accruing from this source last year. It is a tax which has been blamed, perhaps as much as any tax, with the exception of the business profits war tax, as a reason for the high cost of living. Notwithstanding the need for revenue, in view of the fact that it is impossible at the present time to intelligently revise the tariff and the further fact that the incidence of this tax, placed as it is in a general blanket way, works and maintains inconsistencies, it is proposed to abolish entirely this $7\frac{1}{2}$ per cent war duty.

MINOR TARIFF CHANGES.

A very apparent anomaly exists in the present tariff which ought to be corrected and the correction of which can do no possible harm to any Canadian trade or industry. That anomaly consists in the tariff items which allow the importation free of duty of novels and other books (other than scientific works), when printed in languages other than English or French. It is proposed to remove the discrimination in favour of foreign publications by placing them in the same category as those published in English or French.

Owing to the fact that the blind population of Canada has been increased by the war, it is deemed a small measure of justice to remove the duty on books and other essentials for the blind which are not manufactured in Canada or which are only of special use and advantage to blind people.

TARIFF REVISION.

The following statement was issued on December 15 last on the subject of tariff revision:—

Since the signing of the Armistice a little over a year ago the Government and Parliament have been devoting attention to peace and reconstruction problems. Among the many questions that have received consideration is that relating to a general revision of the tariff. Dealing with this subject my predecessor, Sir Thomas White, in his last Budget Speech is reported in *Hansard*, June 5 last, as follows:—

"It would not be practicable at this time to make a sound general revision of the tariff. International trade is most unsettled, still hampered by war restrictions and prohibitions and by exchange conditions, which are and may long continue to be subject to violent fluctuations. Prices are unstable, and labour conditions, internationally speaking, most uncertain. Until peace is restored and the world is upon a more stable basis with respect to capital, labour, prices, markets, and exchange, the tariff cannot be revised intelligently.

"It is my hope that within a year conditions will have become so stabilized as to permit of a general revision of the tariff, which is long, but, owing to the war, unavoidably overdue. Preceding such revision there should be a thorough inquiry conducted by the Minister of Finance and two or more of his colleagues representing the different geographic locations of Canada. Such inquiry should afford all interests, agricultural, industrial, fishing, lumbering, mining, commercial, and financial, producers and consumers alike, an opportunity of expressing their views and opinions and urging their particular needs and requirements. The result of such inquiry should be a body of information which will enable the Government to effect a general

revision of the tariff fair to all parts of the community and effectually promoting the national welfare of Canada. This inquiry should proceed with its work just as soon as conditions are sufficiently stabilized to permit. My own view is that it might well be commenced about autumn of this year."

Unfortunately, international and economic conditions are not only far from normal but in many respects are worse than they were six months ago or at any time during the entire war period. International exchanges in particular are not only unstable but erratic. Tariff considerations of necessity have largely to be based on international and economic conditions and the result is that the different countries of the world are still refraining from any general tariff rearrangement, waiting until some appreciation may be possible of the future conditions, under which their tariffs will operate. Inasmuch, however, as any general tariff revision must be based upon as complete a knowledge as possible of the conditions and relations one to another of our various national industries and productive agencies, and as it is also desirable to obtain the views of as many persons as possible whose practical knowledge and experience would be most valuable, it is considered advisable to begin the collection of information relative thereto.

In order to obtain proper results from public hearings and in order to give all those interested the best opportunity of presenting their cases, it has been decided that the inquiry shall be started by written statements, which should cover each particular issue as each interested claimant for relief sees it. These statements ought to show the particular complaint in each instance, a full statement of the grounds on which that complaint is based, the remedy proposed, and a statement of the grounds leading to the conclusion that such remedy proposed is effective. The issue is really of course not merely a tariff issue from the standpoint of protection or otherwise but is also a revenue issue, and in like manner the submissions of those desiring reductions in tariff should at the same time show methods by which compensating revenues can be obtained from taxation or other sources. The preparation of these statements will necessarily require much careful consideration. Those desiring to make representations as to the problems involved are therefore asked to undertake the preparation of the same without delay and forward their statements addressed to the Minister of Finance at Ottawa. Upon receipt of the statements they will be systematically analysed and classified for the purpose of making them a basis of the general public inquiry to be held throughout the country as indicated by Sir Thomas White.

While unfortunately trade and economic conditions are yet unstable, the tariff investigation has commenced and public sittings will be held throughout Canada after prorogation. The investigation will be conducted by the Department of Finance with the assistance of such expert and other advisers as will be necessary to conduct a thorough inquiry. I am further of the opinion that not only should the investigation proceed but that information should now be given of the principles and policies of the Government in the light of which effect will be given in the tariff revision to follow to the evidence and facts developed in the inquiry.

Our policy calls for a thorough revision of the tariff with a view to the adoption of such reasonable measures as are necessary—(a) to assist in providing adequate revenues, (b) to stabilize legitimate industries and to encourage the establishment of new industries essential to the proper economic development of the nation—to the end that a proper and ever increasing field of useful and remunerative employment be available for the nation's workers, (c) to develop to the fullest extent our natural resources, (d) to specially promote and increase trade

with the Mother Country, the sister dominions and colonies and Crown dependencies, (e) to prevent the abuse of the tariff for the exploitation of the consumer——

Mr. LAPOINTE: Some change.

Sir HENRY DRAYTON:—and, (f) to safeguard the interests of the Canadian people in the existing world struggle for commercial and industrial supremacy.

As a means of raising revenue, the tariff should be so adjusted as to place the chief burden upon those best able to bear it. Articles of luxury should be heavily taxed through the imposition of customs and excise rates. Food commodities and other necessities of life, not produced or manufactured in Canada, should, if taxed at all, bear only such imposts as are necessary for revenue purposes. Those produced in Canada should be subjected to such customs duties only as may be necessary in the general national interest to be determined after strict investigation from time to time.

Apart from the question of revenue, the tariff should have regard to the maintenance, stability and prosperity of Canadian enterprise in the development of all our natural resources in lands, forests, mines, fisheries, as well as our agricultural and manufacturing industries. Consideration must also be given to the importance of creating and maintaining conditions that will afford to Canadian industrial workers opportunities for steady and remunerative employment. It is undoubtedly in the true interests of Canada as a whole that Canadian workers should not be forced to seek in foreign countries employment and opportunity denied them at home by reason of the export of the natural resources, primary products, and raw materials with which the Dominion is so amply endowed.

For the purpose of encouraging the fullest development of our natural resources the tariff should be so adjusted as to permit machinery and the implements of production to be purchased at prices that will compare equitably with those paid in other countries for similar articles. The revised tariff law should be so framed and administered as to effectively prevent any customs duty being used to facilitate the formation or maintenance of any combine, trust, association or agreement among manufacturers, dealers, or producers for the purpose, at the expense of the general public, of restraining trade, preventing competition, or unduly enhancing the selling price of any article of commerce. The principle of trade preference between the different members of the Britannic Commonwealth should be maintained and extended from time to time to such degree as may be found practicable and consistent with Canadian interests.

While a general revision of the Canadian tariff based upon the foregoing considerations is due, it must be recognized that, owing to the war, economic and commercial conditions the world round have been profoundly disturbed and that, as a consequence, it is neither practicable nor possible in the national or public interest to undertake such revision until a thorough inquiry is made to ascertain the essential facts upon which tariff provisions must necessarily be based.

All the financial difficulties of the moment can be, and I have no doubt will be, readily met. I am confident that every hon. gentleman has the firmest belief and confidence in Canada—and that belief is well justified. Immigration and a reasonable investment of outside capital rendering our illimitable national resources available, but above all the national characteristics and strength of character of the citizens of Canada, will easily surmount the past, and Canada's situation to-day is indeed an enviable one. There is no country in the world that can offer greater inducements to the immigrant and greater inducements to foreign capital than Canada can. Prosperity is entirely relative. Our position relatively has enhanced. We have finished borrowing, and notwithstanding the great increase in our debt, Canada's securities to-day stand as high, or higher, than those of any foreign country in what is to-day the great market for foreign securities—New York. Canada's world status is far greater to-day notwithstanding her losses and war debts than it was in 1914.

I crave the indulgence of the House, Mr. Speaker, for the length of time I have spoken before introducing these resolutions. I wonder if before reading them I might not say just one or two words more. You know, some people to-day think, and apparently believe, that the country is in a bad state; I do not. Some people to-day think, and apparently believe, that the job ahead of Canada is a bigger job than Canada can look after; I do not. I wonder if we are not altogether too prone to forget what Canada has done; I wonder if we are not entirely too prone to forget the amount of hard work, of sacrifice and of devotion that the Canadian people showed themselves capable of sustaining during the war period.

Are we not a little too apt to forget that it was the soldiers of Canada who formed just a few short months ago the spearhead of the forces of righteousness? Are we not a little too apt to forget that we have got the same spirit and the same blood in Canada yet? Are we not a little too apt to forget that their magnificent achievements never could have been and never would have been possible had not the men behind and, indeed, the women too, seen to it that the soldiers were supported, that reinforcements were sent? Yes, the war record is a glorious

record; but there were other war activities. Why, there is no better record than the record of the Canadian Medical Staff; no better record than the record of Canada's production; no better record than the record of Canada's transportation facilities, which remained at a higher point than did those of any other country engaged in the war.

Does it not seem rather ridiculous for any one to seriously think that a nation that has done so much will not now be able to look after its own business; that a nation that has done so much for Europe and the world is not going to do something for Canada—something for that Canada which is so dear to every Canadian, something for that Canada which is to-day so infinitely more precious and glorious by reason of the sacrifices made by her fighting men than she ever was before, something for that country which the very best of us in consecrating his services to her is compensated by the thought that it is impossible for any Canadian to do too much for Canada?

RESOLUTIONS.

I beg to give notice that upon the House resolving itself into committee I shall move the following resolutions:

TARIFF CHARGES.

Resolved, that it is expedient to amend Schedule A to the Customs Tariff, 1907, and to strike thereout tariff items 172 and 483, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of the said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:

Tariff Items	—	British Preferential Tariff.	Intermediate Tariff.	General Tariff.
172	Books, viz.:—Books on the application of science to industries of all kinds, including books on agriculture, horticulture, forestry, fish and fishing, mining, metallurgy, architecture, electric and other engineering, carpentry, shipbuilding, mechanism, dyeing, bleaching, tanning, weaving and other mechanic arts, and similar industrial books; bibles, prayer-books, psalm and hymn-books, religious tracts, and Sunday school lesson pictures.	Free.	Free.	Free.
483	Stereotypes, electrotypes and celluloids of books, and bases and matrices and copper shells for the same, whether composed wholly or in part of metal or celluloid.	Free.	Free.	Free.
498a	Typewriters and writing appliances specially adapted for use only by the blind, under regulations prescribed by the Minister of Customs and Inland Revenue.	Free.	Free.	Free.

2. Resolved that it is expedient to amend Chapter 3 of the Acts of 1915 and Chapter 47 of the Acts of 1919, and to strike thereout section 3 of Chapter 3 of the Acts of 1915 and Sections 3 and 4 of Chapter 47 of the Acts of 1919.

3. Resolved that it is expedient to provide that the provisions of the foregoing resolutions shall be deemed to have come into operation on the nineteenth day of May, one thousand nine hundred and twenty, and to apply and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to such goods previously imported for which no entry for consumption was made before that day.

EXCISE AND SALES TAXES.

Resolved, That it is expedient to amend The Special War Revenue Act, 1915, and to provide:—

1. That the following excise taxes be imposed, levied and collected on the total purchase price of the articles hereinafter specified, and on articles of clothing the said tax may be imposed upon the combined selling price of materials and cost of manufacture when sold separately:—

(a) A tax of ten per cent on,—

Boots, shoes, pumps and slippers of any material (not including shoes or appliances made to order for persons having a crippled or deformed foot or ankle) in excess of \$9.00 per pair;

Hats, men's and boys', in excess of \$5.00 each;

Caps, men's and boys', in excess of \$2.00 each;

Hose or stockings, silk, men's and boys', in excess of \$1.00 per pair;

Neckties and neckwear and scarfs, men's and boys', in excess of \$1.50 each;

Clothing, consisting of coat, vest and pants or coat and pants, men's and boys', in excess of \$45.00.

Cloth overcoats, men's and boys', women's and misses', in excess of \$50.00 each;

Waistcoats, men's, sold separately from suits, in excess of \$5.00 each;

Shirts, including night shirts, men's and boys', in excess of \$3.00 each;

Hats, bonnets and hoods, women's and misses', in excess of \$12.00 each;

Hose or stockings, silk, women's and misses', in excess of \$2.00 per pair;

Kimonos, petticoats and waists in excess of \$12.00 each;

- Nightgowns in excess of \$3.00 each;
- House or smoking jackets or bath and lounging robes;
- Pyjamas and underwear in excess of \$5.00;
- Fans;
- Purses and pocket-books in excess of \$2.00 each;
- Shopping and hand-bags in excess of \$6.00 each;
- Umbrellas, parasols and sunshades in excess of \$4.00 each;
- Trunks in excess of \$40.00 each;
- Valises, travelling bags, suitcases, hat boxes and fitted travelling cases in excess of \$25.00 each;
- Gloves, except fur, in excess of \$3.00 per pair;
- Dresses, women's and misses', in excess of \$45.00 each;
- Suits, women's and misses', in excess of \$60.00 each;
- Opera cloaks;
- Coats and robes, the component material of chief value being fur, in excess of \$100.00 each;
- Ivory handled cutlery;
- Cut glassware;
- Sporting goods, such as tennis rackets, nets, racket covers and presses, skates, snowshoes, skis, toboggans, canoe paddles and cushions, polo mallets, baseball bats, gloves, masks, protectors, shoes and uniforms, football helmets, harness and goals, basket-ball goals and uniforms, golf bags and clubs, lacrosse sticks, balls of all kinds, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games (except playing cards and children's toys and games), and all similar articles commonly or commercially known as sporting goods in excess of 50 cents;
- Plated ware not otherwise provided for in this resolution adapted for household or office use;
- Velvets, velveteens, plush and silk fabrics;
- Embroideries of silk;
- Lace, including collars or collarettes of lace and all manufactures of lace;
- Ribbons of all kinds and materials;

(b) A tax of twenty per cent on,—

- Cigar and cigarette holders and pipes in excess of \$2.50 each;
- Cigar and cigarette cases, ash trays and match boxes of gold or silver;

Humidors and smoking stands;
 Hunting and shooting garments and riding habits;
 Hunting and Bowie knives;
 Gold and silver handled pocket knives and pencils;
 Gold, silver, ebony and ivory toiletware;
 Articles of silver not otherwise provided for in this resolution adapted for household or office use;
 Silver or gold deposit ware;
 Wearing apparel, not otherwise provided for in this resolution, the component material of chief value being fur;
 Liveries, livery boots and hats;
 Oriental rugs;
 Carpets in excess of \$3 per yard;
 Curtains, including tapestry curtains, in excess of \$7.50 each;
 Chandeliers except for churches;
 Articles commonly or commercially known as jewellery, whether real or imitation, for personal use or for adornment of the person.

(c) A tax of fifty per cent on,—

Articles of gold not otherwise provided for in this resolution adapted for household or office use.

2. That the excise taxes as imposed by the preceding resolution shall be paid by the purchaser to the vendor at the time of sale for consumption or use, or on importation for consumption or use other than for re-sale, in addition to the duties of customs already imposed, and by the vendor to His Majesty in accordance with such regulations as may be prescribed.

3. That the following excise taxes be imposed, levied and collected on the articles hereinafter specified, namely:—

(a) A tax of ten per cent on:—

Boats, yachts, canoes and motor boats. Provided that on satisfactory proof being furnished that these articles will be used only for trading or commercial purposes a refund of the amount paid under this resolution shall be granted;
 Cameras weighing not more than 100 pounds;
 Candy and confectionery;
 Chewing gum or substitutes therefor;
 Fire-arms, shells, or cartridges for use other than for militia purposes;
 Pianos and organs (other than pipe organs); musical instruments not otherwise provided for in this resolution

(b) A tax of fifteen per cent on:—

Automobiles adapted or adaptable for passenger use.

(c) A tax of twenty per cent on:—

Mechanical piano players, graphophones, phonographs, talking machines, music boxes and records used in connection therewith or with any musical instrument.

(d) A tax on playing cards for every fifty-four cards or fraction of fifty-four in each package,—

when selling at \$25 or less per gross packages—
twenty-five cents per pack;

when selling in excess of \$25 per gross packages
—fifty cents per pack.

(e) A tax of thirty per cent on:—

Patent and proprietary medicines, including medicinal or medicated wines, vermouth and ginger wine containing not more than forty per cent of proof spirit.

(f) A tax of two dollars per gallon:—

On rum, whiskey, brandy, gin, wines containing more than forty per cent proof spirits, cordials, liqueurs and spirituous and alcoholic liquors not otherwise provided for in this resolution suitable for beverage purposes;

On lime juice or fruit juices, fortified with or containing more than twenty-five per cent of proof spirits;

On spirits and strong waters of any kind, mixed with any ingredient or ingredients, as being or known or designated as anodynes, elixirs, essences, extracts, lotions, tinctures or medicines, or ethereal and spirituous fruit essences, not otherwise provided for in this resolution;

On alcoholic perfumes and perfumed spirits, bay rum, cologne and lavender waters, hair, tooth and skin washes, and other toilet preparations containing spirits of any kind.

(g) A tax of thirty cents per gallon:—

On ale, beer, porter and stout;

On wines of all kinds, except sparkling wines, containing not more than forty per cent of proof spirits.

(h) A tax of three dollars per gallon:—

On champagne and all other sparkling wines.

(i) A tax of fifty cents per gallon:—

On lime juice and fruit juices, fortified with or containing not more than twenty-five per cent of proof spirits not otherwise provided for in this resolution.

4. That the excise taxes as imposed by the preceding resolution shall be payable in addition to the present duties of excise and customs at the time of sale by the Canadian manufacturer or when imported, but shall not apply to such articles when exported, and shall be accounted for to His Majesty in accordance with such regulations as may be prescribed.

5. That every person selling or dealing in the articles upon which taxes are imposed as prescribed by the foregoing Resolutions, may be required by the Minister to take out an annual license therefor; for which license a fee not exceeding \$2 shall be paid.

6. That the provisions of the said foregoing Resolutions shall be deemed to have come into force on the 19th day of May, 1920, and to have applied to all goods mentioned therein imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

7. (a) That a tax of one per cent in addition to the present duties of excise and customs be imposed, levied and collected on sales by manufacturers, wholesalers, or on importations; that the purchaser shall be furnished with a written invoice of any sale, which invoice shall state separately the amount of such tax, when not included in the purchase price; that such tax must not be included in the manufacturer's or wholesaler's costs on which profit is calculated; and the tax shall be paid by the purchaser to the wholesaler or manufacturer at the time of such sale, and by the wholesaler or manufacturer to His Majesty in accordance with such regulations as may be prescribed and such wholesaler or manufacturer shall be liable to a penalty not exceeding \$500, if such payments are not made, and in addition shall be liable to a penalty equal to double the amount of the excise duties unpaid.

(b) That the Minister may require every manufacturer and wholesaler to take out an annual license for the purposes aforesaid, and may prescribe a fee therefor, not exceeding \$5, and the penalty for neglect or refusal shall be a sum not exceeding \$1,000.

(c) That any such tax, costs or penalties may, at the option of the Minister, be recovered and imposed in the Exchequer Court of Canada or in any other Court of competent jurisdiction in the name of His Majesty.

(d) That this tax on sales shall not apply to sales or importations of,—

meats, fresh, salted or pickled; butter; cheese; oleomargarine, margarine, butterine or any other substitutes for butter; lard; eggs, vegetables, fruits, grains

and seeds in their natural state; buckwheat meal or flour; pot, pearl, rolled, roasted or ground barley; corn meal, oatmeal or rolled oats; rye flour; wheat flour; coffee, green, roasted or ground; tea; salt; cattle foods; hay and straw; nursery stock; fish, fresh, pickled, salted, smoked, dried or boneless; sugar, syrups and molasses; anthracite or bituminous coal; artificial limbs and parts thereof, or to goods exported.

(e) That the provisions of this Resolution respecting a tax on sales shall be deemed to have come into force on the 19th day of May, 1920, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

8. That a stamp tax of two cents be imposed, levied and collected on promissory notes and bills of exchange of the value of one hundred dollars or less, and that a tax of two cents additional be imposed on every one hundred dollars or fractional part thereof in excess of one hundred dollars.

9. That a stamp tax of two cents be imposed, levied and collected on each share of stock transferred.

10. That the provisions of the said Act relating to stamp duties on bottles and packages containing a proprietary or patent medicine or perfumery requiring that an adhesive stamp be affixed to such articles by the person selling the same, or by the importer, the manufacturer or producer, be amended to provide that the said provisions shall remain in force as regards the stock of such articles in retail stores remaining unstamped on the 31st July, 1920, and such stock may be sold in accordance with such provisions until the 31st day of December, 1920, but on and after such last mentioned date every such article must be stamped before being exhibited or offered for sale. The stamps shall be affixed to all such articles on or after 1st August, 1920, by the manufacturer or importer thereof, or by such person as the Minister may prescribe.

11. That respecting bottles or packages containing wines, sparkling and non-sparkling, manufactured or imported previous to the nineteenth day of May, 1920, stamps as set forth in the said Act shall be affixed thereto under regulations made by the Minister.

12. That the provisions of the said Act relating to moving picture films, and all the other provisions of the said Act inconsistent with these Resolutions, be repealed.

BUSINESS PROFITS WAR TAX ACT.

Resolved, That it is expedient to amend The Business Profits War Tax Act, 1916, and the amendments thereto, and to provide:

1. That the profits earned in any business during any accounting period ending in the year one thousand nine hundred and twenty which do not exceed ten per cent per annum upon the capital employed in such business shall be exempt from the tax prescribed by the Act;

That upon any such profits exceeding ten per cent per annum and not exceeding fifteen per cent per annum there shall be paid a tax equal to twenty per cent of such profits;

That upon any such profits exceeding fifteen per cent per annum and not exceeding twenty per cent per annum there shall be paid a tax equal to thirty per cent of such profits;

That upon any such profits exceeding twenty per cent per annum and not exceeding thirty per cent per annum there shall be paid a tax equal to fifty per cent of such profits;

That upon any such profits exceeding thirty per cent per annum there shall be paid a tax equal to sixty per cent of such profits;

That in the case of a business owned by an incorporated company with a capital of not less than twenty-five thousand dollars and under fifty thousand dollars employed in such business, there shall be paid a tax of twenty per cent of the amount by which the profits earned in such business during any accounting period ending in the year one thousand nine hundred and twenty exceeded ten per cent per annum;

2. That in respect to any business liable to taxation under the said Act having a capital of less than fifty thousand dollars the rates of taxation set forth in section three of the said Act as amended by chapter six of the Statutes of 1917 shall apply in respect of the 1917 and 1918 accounting periods, if twenty per cent or more of such profits have been derived from the manufacture or dealing in munitions of war or materials or supplies of any kind for war purposes;

3. That the period during which the said Act is to be in operation be extended for one year, and that section twenty-six of the said Act be amended by substituting the word "twenty" for the word "nineteen" in the third line thereof, and by substituting the word "seventy-two" for the word "sixty" in the fourth line of the proviso in the said section.

INCOME WAR TAX ACT.

Resolved, That it is expedient to amend The Income War Tax Act, 1917, and the amendments thereto, and to provide:

1. That the taxes and surtaxes, including the tax upon corporations and joint stock companies, leviable and payable under the provisions of section four of the said Act as enacted by chapter fifty-five of the Statutes of 1919 shall each be increased by five per centum on incomes of five thousand dollars and upwards, such increases to apply to all taxes and surtax leviable for any income received during the calendar year nineteen hundred and nineteen or the income of any accounting period ending in nineteen hundred and nineteen, as the case may be, and for each calendar year or accounting period thereafter;

2. That each person liable to taxation under the said Act and the amendments thereto for the calendar year nineteen hundred and twenty or any accounting period ending in the year nineteen hundred and twenty and for each calendar year or accounting period thereafter shall deliver to the Minister of Finance, with each annual return of his income prescribed by section seven of the said Act as amended, an amount equal to at least one-fourth of the amount of the tax and surtax, if any, payable by such person according to such return, and shall pay the balance, if any, of such tax and surtax in not more than three bi-monthly instalments thereafter, together with interest at the rate of six per centum per annum from the date prescribed for making such return up to the time of the payment of such instalment;

3. That any person making a return of income less than the correct amount shall pay the additional amount of tax and surtax due and in addition interest at the rate of ten per centum upon such amount until the same is paid.

If such deficiency exceeds ten per centum but is under twenty per centum, such person shall also pay an amount equal to one-half of the amount of such deficiency in addition, and if such deficiency amounts to twenty per centum or more such person shall pay an amount equal to the amount of such deficiency in addition.

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BUDGET SPEECH

DELIVERED BY

HON. SIR HENRY L. DRAYTON, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

MONDAY, MAY 9

1921



OTTAWA

THOMAS MULVEY

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1921

CANADA

BUDGET SPEECH

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IN THE

HOUSE OF COMMONS, MONDAY, MAY 9, 1921

WAYS AND MEANS—THE BUDGET

Hon. Sir HENRY DRAYTON (Minister of Finance) moved:

The Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, following the usual practice I now take advantage of this motion for the purpose of introducing the annual Budget.

The past year has been a difficult and trying one for business practically the world over, and Canada has suffered in common with other nations from the commercial and economic conditions obtaining. The year has been a year of deflation, and deflation is always difficult. During the first portion of the year the price of commodities, instead of declining after the cessation of hostilities, as was generally expected, sharply rose. Extravagant and luxurious buying was common, and the cost of living in Canada unreasonable.

As a corrective measure, as well as for the purposes of revenue, the taxes of last year, commonly known as Luxury Taxes, were imposed. The object of these taxes was stated in the Budget speech as follows:—

Not only is more revenue necessary but extravagant and luxurious expenditure ought to be checked. Just so long as expenditure on non-essentials and extravagant expenditure continues, just so much longer will the drop in the value of essentials be postponed. On those having income more than necessary for properly maintaining themselves and families, there rests a special duty of saving whenever possible and in this manner adding to the available financial resources for development and for industrial undertakings.

Extravagant buying was slowly but surely checked, and in November declines in commodity prices, both manufacturers' and wholesale, were well marked. The buying public which had previously been so well accustomed to rising markets and then bought freely in the fear that prices would be higher, were convinced that the prices of commodities were on the

downward trend, and instead of buying in advance of their needs, stopped purchasing as much as possible in the expectation that prices would continue to fall.

But not only were the taxes designed to check wild spending on the part of the public, they were also calculated to check unnecessary purchases by the trader, so that his inventories might be all the smaller when the inevitable drop in commodities came, and so that the lower level might be reached in more easy stages and with little goods on hand.

Having served these main purposes, the so-called Luxury Taxes were, with but trifling exceptions, abolished on the 18th day of December, 1920.

The year has been a trying one in many activities, but it is felt that the lower price levels have been reached, and that working on the sure foundation of lower costs, the conditions of our trade and commerce ought to steadily improve.

TRADE

The year just closed gives a great total for Canadian trade. The previous year, notwithstanding that it was a year of rising prices and general activity in business, showed a total of imports and domestic exports of \$2,304,008,267, as against \$2,429,288,757 for the year ended March 31, last.

This is a remarkable showing, more particularly in view of the fact that prices had materially declined during the last half of the year and that our heavy export of grain was made on the lower price level. These figures show an increase for the year of \$125,280,490. If foreign merchandise brought into Canada and exported be added, the respective totals become for the year ended March 31, 1920, \$2,351,174,878, and for the year just closed \$2,450,553,175.

For the purpose of comparison, it may be noted that the years at the end of the past two five-year periods, that is for 1916 and 1911, show a total trade of \$1,287,117,229 and \$741,745,318 respectively. The figures of the past year show great trade activity. Taking nine millions as the approximate population of Canada, and the calendar year as a uniform basis of comparison, it will be found that the aggregate foreign trade per capita in 1920 was \$293.30 for Canada, and \$127.78 for the United States.

The mere bulk of trade activities does not of necessity, however, show national prosperity. While, on the one hand, the nation may increase in wealth with a comparatively small total business, on the other hand, it is possible to become the poorer in increasing ratio to the amount of gross business done. The vital question is as to whether or not the business as a whole is profitable.

Canada has continued to be a large buyer. Our imports in the year have increased by the sum of \$175,608,887, while, on the other hand, our domestic exports have dropped from those of last year by \$50,328,397. If the export of foreign produce be included, the total decrease becomes \$76,230,590. If mere size of trade was the whole criterion of national prosperity, Canada would indeed be prosperous, and the problems of industrial unemployment and dissatisfaction with farm results entirely non-existent. While it is perfectly true that Canada, relatively, is very much better off at the present moment than many other nations are, the fact nevertheless remains that conditions are not as we would have them.

It has also to be borne in mind that while our total exports are only \$76,230,590 short of those of last year, they are \$375,741,673 below the gross export peak reached in 1918.

The unfortunate part of our international balances is that with the United States. The unrevised figures for the year show that our exports to that market amounted to \$542,304,456 of domestic, and \$18,379,342 of foreign produce, while our imports amounted to \$856,593,470, resulting in an unfavourable trade balance between the two countries of \$295,909,672. (This large unfavourable balance, coupled with the largely increased invisible payments which have to be made to American holders of Canadian securities and investments, of necessity creates a heavy demand for New York exchange, resulting in a premium on New York funds. The real balance against Canada is also increased by the aggregate of the discount on Canadian money in New York, as the trade figures do not include the resultant increased cost to the Canadian purchaser.)

If Canada is to continue to buy as much as she now does from the United States, she ought to sell a great deal more in that market. It is undoubtedly to her immediate interest that she should do so. The position of our trade with the United States, unfavourable as it is, is likely however to be made still more unfavourable. The Emergency Tariff, commonly known as the Young Bill, which has already been favourably considered by both Houses of the American Congress, calls for the imposition of taxes which would practically prohibit the importation of—in the chief part—Canadian agricultural commodities which amounted in volume during the past year to some \$168,350,000. The measure is for but a six months' period, and the permanent Tariff Bill has not yet been brought down.

The legislation is treated as emergency legislation, and is pressed on the ground that the United States have a large surplus of these products, which their farmers are unable to sell, and that the American farmer is subject to unfair competition in the United States market as owing to the discount

on Canadian currency the Canadian farmer receives just so many more Canadian dollars, just as useful to him in his own country as the American dollar is to the American farmer.

The underlying difficulty of the whole matter would appear to result from the condition of foreign exchanges and the difficulty of financing overseas sales. Under former conditions, exports of Canadian products, to a large extent, merely added to the exportable surplus of the United States a very profitable business for that country, while to-day, according to statements made in support of the emergency legislation, the stocks of American produce are large, and additions thereto by Canadian imports merely add to the difficulties of the American producer, who cannot to-day profitably dispose of his own surplus. In other words, what in the past was profitable business for the United States is now regarded as unprofitable.

Our business with the United Kingdom continues to be satisfactory, although it is unaccompanied with favourable balances as great as in the past. Last year our exports to the Mother Country amounted to \$495,960,118 while our imports amounted to \$126,359,249, resulting in a favourable trade balance of \$369,600,869. This year our exports have fallen to \$314,226,348, while our imports from the Mother Country have grown to \$213,930,946, reducing our favourable trade balance to \$100,295,402. In view of the large holdings of Canadian securities in the United Kingdom, while exact figures are not available, the net balance would be much reduced if not indeed turned against us. The showing, however, is very much more satisfactory than that of our trade with the United States and the buyers of English goods have the additional satisfaction of knowing that their dollars were at a premium in the English market.

I have much pleasure in calling the attention of hon. members to the remarkable recovery and extension of British trade in Canada. Imports from the United Kingdom first reached the hundred million mark in 1911. In 1913 they were \$138,741,736. As a result of the war, in 1919 the figures had dropped to \$73,035,118. In 1920 the total was \$126,359,249. The increase of this year over last—although last year's figures were greater than those of any previous year except 1913—is \$87,571,697, or over 69 per cent. The sales by the Mother Country in Canada have by the prevailing rates of exchange been made the more easy in the same ratio as our sales to her have been rendered the more difficult. Our sales have also, by reason of the exercise of British Government control, been further restricted.

REVENUE, 1920-21

The country's revenues have been well maintained. The revenue for the fiscal year when the accounts are finally closed will approximately reach \$432,000,000, as against \$349,746,334 for the year before. This marked increase, in a year of deflation, can only be regarded as satisfactory. The chief sources of revenue are as follows:—

Customs.....	\$163,000,000
Excise	37,200,000
Post Office.....	26,000,000
Business Profits War Tax.....	40,000,000
Income Tax.....	46,500,000
Inland Revenue War Tax.....	79,050,000
Other War taxation.....	2,355,000

EXPENDITURE, 1920-21

The estimated expenditure for the year amounts to \$533,368,077 as against a total outlay provided by the Estimates of \$613,225,411.

The total expenditure has been met without new loans, being covered entirely by current revenue and cash resources available at the close of last year. The amount of cash resources from the past year and applicable to 1921-22 will be relatively small. The figure cannot be definitely stated, as sundry expenditures and revenue for 1920-21 have yet to go through the books. I might say, at this juncture, that we expect to find that the available cash at the end of the year when the accounts are closed will amount to approximately \$10,000,000.

In considering the consolidated fund expenditures, having regard to the country's pre-war activities, it will be found that these amount to some \$141,000,000. Consolidated fund charges connected with and growing out of the war, such as increased interest, pensions, military records, Air Board, expenses of Land Settlement Board, Soldiers' Civil Re-establishment, etc., and such new services and expenses as cost of collection of war taxation, bonus to the Civil Service, aids granted for technical education and road building, etc., approximate \$225,000,000. Other war expenses, including Soldiers' Land Settlement loans and demobilization, increase the total payments resulting from the war and new services to \$277,000,000. Services similar to those provided for by the consolidated fund expenditure of \$141,000,000 this year as referred to above cost in the year 1913-14 \$127,384,472.

Of the expenditures, the total chargeable to consolidated fund is \$362,600,000. Special expenditure, including capital of \$36,972,000 and demobilization of \$20,000,000 accounts for a further sum of \$57,102,000. Then there are investments, classed as non-active for the time being, as follows:—

Canadian Northern Railway.....	\$ 48,611,077
Grand Trunk Railway.....	26,520,000
Grand Trunk Pacific Railway "Rec. a/c".....	18,300,000
Grand Trunk Pacific Guaranteed Int.....	3,500,000
Quebec Harbour Commissioners.....	335,000
	<hr/>
	\$ 97,266,077

And finally, disbursements for railway equipment of \$16,400,000.

The revenues for the year exceed the ordinary expenses of the country, including all pensions and all current war charges, by \$69,400,000 and exceed the sum total of the ordinary expenses, together with the regular charges to capital and war, by \$12,298,000.

DEBT

As already stated, there have been no fresh borrowings. On the other hand, the debt has increased by the amount that the liquid surplus of the year before has been used, namely, \$101,368,077. It should be noted that out of available cash, tax exempt bonds aggregating \$89,228,300 have been acquired and taken off the market. It is proposed to cancel them.

The result is that, having regard to the writing-down of assets which took place last year, the net debt now amounts to \$2,350,236,700. An interesting observation may be made as to the increase in debt. **I** In the period 1896 to and including 1914 the net additions to the ~~debt~~ totalled \$77,499,417. As compared with this, during the period 1914 to date, if the writing-down of non-active assets had not taken place and if the bare ~~war~~-cost be deducted but resulting current expenses arising from the ~~war~~ such as for interest, pensions, etc., be nevertheless charged, the net ~~debt~~ to-day would stand at approximately \$115,000,000 less than at March 31, 1914. **II** The situation may be otherwise expressed by saying that notwithstanding the largely increased cost of Government, to the extent of this sum the country's war activities have been financed out of current revenue.

IV Over and above all this the charges **C** to the consolidated fund of payments made on current war account from and including the year 1914-15 to 1920-21 amount to \$553,732,120 and for

new services and expenses \$30,077,580, making a total of \$583,809,700.) The amounts by years are as follows:—

	Due to War Burden.	New Services.	Total.
1914-15.....	\$2,843,238		\$ 2,843,238
1915-16.....	8,828,080		8,828,080
1916-17.....	25,956,437	\$ 58,174	26,014,611
1917-18.....	44,134,890	108,196	44,243,086
1918-19.....	88,854,759	3,498,126	92,352,885
1919-20.....	170,722,951	13,139,084	183,862,035
1920-21.....	212,391,765	13,274,000	225,665,765
Total.....	\$553,732,120	\$30,077,580	\$583,809,700

The net result is that war obligations current and capital have been met and paid to the extent of \$698,809,700.

PROBABLE REVENUE AND EXPENDITURE, 1921-22

All indications point to a falling customs revenue and with the disarrangement of business consequent on imminent tariff legislation of the United States, it is difficult to accurately forecast the revenue for the coming year. The following estimate—based on existing legislation—may be given:—

Customs.....	\$135,000,000
Excise.....	33,600,000
Post Office.....	26,000,000
Interest on Investments.....	19,000,000
Casual Revenue.....	4,000,000
War Tax Revenue—	
Inland Revenue.....	72,000,000
Business Profits and Income Tax.....	70,000,000
Miscellaneous War Tax Revenues.....	2,000,000
All other Revenues.....	11,000,000
	<u>\$372,600,000</u>

The main estimates tabled call for a total expenditure of \$582,062,698 and the supplementary for bonus to the service an additional \$9,375,000. The policy of the Government is to pay at least all current expenses, including capital charges, out of current income. The following summary gives the details of these votes properly appropriated to their various objects:—

Estimated Consolidated Fund Expenditure.....	\$343,021,594
Estimated Capital Expenditure.....	27,459,127
Estimated Demobilization Expenditure.....	7,777,380
	<u>\$378,258,101</u>
Investments—Non-Active—	
Canadian Northern Railway.....	\$ 50,000,000
Grand Trunk Railway.....	89,687,633
Grand Trunk Pacific Railway.....	26,000,000
	<u>\$165,687,633</u>

Investments—Active—

Soldiers Settlement Board.....	\$ 32,000,000
Housing Loans.....	13,310,000
Sinking Funds.....	2,181,963
	<hr/>
	\$ 47,491,963

From the above it will be seen that \$378,258,101 in the first instance ought to be raised out of current revenue. It is true that this amount includes capital expenditure for canals, public works, etc.—capital expenditure, which does add to the equipment and facilities of the country. Under the policy adopted this, however, ought to be met out of current revenue. It should be noted that this capital vote also includes \$1,903,133 required for railroad equipment. It also includes \$7,000,000 for deficits of the Canadian Government Railways proper which must be regarded as a current expense.

Provision is made for non-active investments to the extent of \$165,687,633 on account of railways, investments which at least for the time being will yield no return. To the full extent that provision is required for the payment of current liabilities, deficits and interest, that payment ought to be met out of current revenues. The vote, however, in part, covers maturing capital obligations. Railway capital obligations ought not to be paid out of current revenue at the present time but should be refunded.

Of the vote, the current liabilities of the Canadian Northern call for payment of \$25,102,870 made up of stock additions, operating deficits and interest charges.

The Grand Trunk vote is required largely for old accounts and maturing capital obligations, as well as obligations owing the country. The old accounts will be taken into consideration in the arbitration proceedings as deduction from the compensation that may be payable. The company, however, ran last year at an actual deficit of some \$6,500,000, apart from all Grand Trunk Pacific obligations. Part of this deficit is accounted for by back pay amounting to some \$3,000,000. It would not be safe to regard the account, however, as one not requiring a substantial sum, possibly \$6,000,000, for current deficits for the year.

Included in the Grand Trunk Pacific vote, apart entirely from expenditures which add to the value of the property, is \$19,817,873. The position of this undertaking is such however that the whole vote of \$26,000,000 ought to be raised out of current revenue, making a total current railway expenditure to be this year provided in cash of \$57,102,870.

The resultant total to be raised is \$435,360,971.

In addition, the other investments of \$47,491,963 are active and revenue-producing and constitute a proper deduction from a gross debt.

It is obvious, however, that additional revenues ought to be provided.

TARIFF.

It is not proposed to put into effect now a general revision of the tariff schedules. While Canada must make her own tariff and while that tariff must be a tariff dictated in the interests of Canada and her people, it is not advisable that frequent changes should be made.

The tariff deals with international business and the proper interests of the country can only be considered in the light of international business and the tariff laws of other countries. It is idle to attempt to disguise the fact that any proper Canadian tariff must have consideration to the settled tariff conditions obtaining in the United States. Of our total trade of the past year 57 per cent was with the United States. Of total imports of \$1,240,125,056, those from our neighbour to the south were \$856,593,470 or 69 per cent of the whole.

As already pointed out, temporary tariff legislation of the United States would place a barrier against our exports to that country amounting to no less than \$168,000,000. Such or similar action made permanent, of necessity, would require a careful and thorough revision of the Canadian tariff for the purpose of ensuring the proper continuance of Canadian business — of ensuring employment and Canadian stability — a matter of gravest moment to all classes of our citizens, of moment to the farmer as well as to the industrial worker, of moment to the farmer because the home market, always of importance and value to him, would become in view of the action of the United States and of the difficulties of financing overseas sales, more important than ever.

An illustration of the value of the home market under past conditions may be given in connection with the dairy business. The production of butter in Canada for the year 1919 was 226,000,000 pounds and of this amount but 17,000,000 pounds were exported. On the question of profitable prices in the home market, it may be noted that last autumn when the Ottawa wholesaler paid 57 cents for butter and the Ottawa public were paying 59 cents and 60 cents a pound, the export price was 47 cents a pound. The home market is valueless without purchasing power and that purchasing power will diminish or largely disappear with the advance of industrial unemployment. Under the circumstances, having special regard to the fact that there ought not to be a general revision of the Canadian

tariff now and another after the close of the United States Congress, no action will now be taken.

In indicating that regard must be had to United States tariff laws when framing the Canadian tariff, I do not desire to be understood as suggesting that the Canadian tariff should, in any way, of necessity follow the American customs rates. The underlying economic principles which apply to tariff necessities of creditor nations, as compared with debtor nations, are entirely different. (Creditor nations are not under the necessity of discharging money claims with an excess of visible exports over visible imports or by fresh borrowings.) While it is not in the interest of debtor nations to increase money claims against them by an unfavourable balance of visible trade, in the case of the creditor nation it well may be that the only manner in which the creditor nation may receive payment on its investments is by creating money claims in favour of the debtor nation through an excess of visible imports over visible exports.

As a matter of fact, besides goods and commodities creditor nations export coupons, representing interest on borrowed money, while debtor nations import them, that is, pay them. It is impossible to accurately state the amount of coupons annually imported by Canada. In all probability \$180,000,000 would not be an outside figure. Under such circumstances, Canada has to be considered as having an adverse balance of \$180,000,000 before any consideration is given to the results of her visible import and export trade. On the other hand, as a great creditor nation, the United States, apart altogether from her visible imports and exports, has the advantage of a very large invisible export credit, none the less real because unseen, under the heading of returns from investments. Canada like all other countries in process of development, required and indeed still requires foreign capital and is of necessity a debtor nation.

TARIFF CHANGES

Changes in the schedules, however, become necessary for the purpose of implementing the trade pact with the West India Islands which has been ratified by both Houses and assented to. A resolution will be submitted dealing with these.

AMENDMENTS TO CUSTOMS ACT

Changes ought to be made in the Customs Act with a view to securing a more efficient carrying out of the principle of the dumping provisions. Much of the unemployment at present existing, results from the importation into Canada of

goods at prices below the cost of production. In so far as the public are concerned, little, if any, price advantage has accrued to them through these importations. Indeed, it could not well be expected that they should because these low costs cannot be looked upon as at all permanent and as a matter of fact they have been found to be temporary. It has been established that, after large shipments of goods have been made from a foreign market and entered at customs at a valuation justified by temporary quotations in that market, prices there have registered substantial increases. The result, however, is directly felt by the Canadian producer and worker. Goods ought to be valued for customs purposes, not at forced-sale prices, justified by temporary quotations in the foreign market, but having regard to the regular standard value in that market and to cost of production and a reasonable profit thereon.

A further change should also be made having regard to the valuation of goods imported from foreign countries whose currencies have greatly depreciated. Under the law, valuations are made in the currency of the country of export and this value has under customs ruling been adjusted to the basis of exchange prices. The increased cost of production in the foreign market does not, however, bear a direct inverse relation to the extent of the depreciation of the currency, more particularly so having regard to countries where currencies are depreciated to a greater extent than 50 per cent. It is therefore proposed to provide that any depreciation of a foreign currency greater than 50 per cent shall be disregarded and that the lowest valuation which can be made will be arrived at by a depreciation of 50 per cent. Where the rate of exchange is adverse to Canada, the value for duty will be computed at the rate of exchange existing at the date of the shipment of the goods. To put into effect these provisions, a Bill will be introduced providing for amendments to the Customs Act as follows:

Section forty of the said Customs Act is amended by adding thereto the following clause,—“such value in no case to be lower than the wholesale price thereof at such time and place,” and by adding thereto the following subsection:

(2) Provided that the value for duty of new or unused goods shall in no case be less than the actual cost of production of similar goods at date of shipment direct to Canada, plus a reasonable profit thereon, and the Minister of Customs and Inland Revenue shall be the sole judge of what shall constitute a reasonable profit in the circumstances.

Section fifty-nine of the said Customs Act is amended by adding thereto the following subsection:

(6) Notwithstanding any of the provisions of this section, in computing the value for duty of the currency of an invoice, no reduction shall be allowed in excess of fifty per cent of the value of the standard or proclaimed currency of the country from whence the goods are invoiced to Canada, irrespective of the rate of exchange existing between such country and Canada on date of the shipment of the goods, and in respect of goods shipped to Canada from a country where the rate of exchange is adverse to Canada, the value for duty of the currency of the invoice shall be computed at the rate of exchange existing between such country and Canada at the date of the shipment of the goods.

MARKING OF IMPORTATIONS

Representations have from time to time been made to the effect that the goods of one country were being farmed off on the Canadian public as the goods of another country. Especially have representatives of British business urged that many goods were being sold as British goods, which either had not seen Great Britain or were merely collected in and forwarded from that country. In my judgment, immediate effect ought to be given to these representations. Not only has the British importation some right to protection from dishonest competition, but much more so the Canadian public have a right to know from whom they are buying. A resolution will, therefore, be moved to provide that all goods imported into Canada capable of being marked, stamped, branded or labelled without injury shall have indicated on them legibly in English or French the country of origin. This provision will come into force September 1, 1921.

BUSINESS PROFITS WAR TAX

The Business Profits Tax will be dropped. With present business conditions it would in any event become largely inoperative—excess profits generally speaking will not be found. This tax is one which is only justifiable as an emergency measure in a time of ascending values and inflation and national stress. It is a tax which works harm to the general financial situation and business conditions in an ordinary period and more particularly in a period of business depression. The Act will not be re-enacted.

EXCISE TAXES

The few remaining so-called luxury taxes will be abolished. In lieu thereof, having particular regard to the necessities of revenue, duties will be levied on playing cards and wines. The duties on spirits will be increased from the present \$3 per gallon customs duty and the \$2 additional duty under the luxury taxes, to a straight \$10 customs rate. Increase will also be made in the excise duties on spirits of local manufacture released for sale in Canada. The former differential of the excise duty as against the customs duty was 60 cents, a differential of 20 per cent. The excise rate will be increased to \$9 a gallon.

Many complaints having been received from hospitals and the producers of proprietary medicines and pharmaceutical preparations who represent that the burden of taxation under

the law, which is now being changed and which provides for a total tax of \$5 per proof gallon, was unduly heavy. The hospitals in particular represent that they have had great difficulty in properly carrying on. It is proposed to grant a rebate of 99 per cent of the duties paid on spirits actually used for medicinal purposes in bona fide hospitals certified to as such by the Department of Public Health and subject to regulations to be promulgated by the Department of Customs and Inland Revenue for the purpose of ensuring that no abuses take place. Under appropriate regulations it is proposed in the case of patent and proprietary medicines and pharmaceutical preparations to reduce the tax to the rate of \$2.40 per proof gallon. This is the rate which applied prior to the enactment of last year's luxury taxes.

SALES TAX

In addition to the foregoing new provisions, it is proposed to increase the rate of the sales tax. Many submissions have been received in favour of a sales or turnover tax. The principle of either a sales or turnover tax has been strongly advocated by many boards of trade and commercial bodies. The general turnover tax in particular has been strongly supported. This tax would call for the payment of a tax on every transaction taking place in the country. It would include all sales by retailers. Theoretically a general turnover tax on commodities and services has much to commend it. In practical administration, though, in view of the fact that after careful survey it has been established that books are not kept in many retail stores, the cost of administration would be unduly great and difficulties of collection many.

Instead of extending the tax, it is proposed to confine its operation to the sales of manufacturers, wholesalers, jobbers and importers, and to continue a list of special exemptions which, broadly speaking, will cover foodstuffs in their natural state, initial sales of farm produce by the farmer of his own production, as well as the first products of the fisheries, mines and forests.

The 1 per cent and 2 per cent rates on domestic transactions will become $1\frac{1}{2}$ per cent and 3 per cent respectively, and the present import rates will become $2\frac{1}{2}$ per cent and 4 per cent. The import rates thus become 1 per cent higher than the like domestic rates. The necessity for this lies in the fact that more than one sales tax is included in the finished article made in Canada, while the materials entering into the manufacture or production of the foreign article are not subject to any such tax.

Mr. Speaker, we in Canada have a great task before us. The world is sadly out of tune. May we help in restoring

harmony. Trust and confidence are sadly lacking. Class interests are advanced with selfish insistence. Unemployment is with us. Faith in our fellow-men is weakened. Doubt of the future is often voiced. And what is the trouble? The sun still shines—the rivers still sparkle—our lands are as great and fruitful as ever—our resources just as vast. Shall it be said that the work and sacrifice of the past few years were in vain? That we Canadians of to-day do not think that that Canada for whom so great a stream of heroic blood was shed—a Canada great enough to die for—is a country not worth while living for? Living for Canada! To do that means living for and helping our fellow Canadians, means the realization that no real advantage can be taken by this class at the expense of that—that the wrong of one works to the injury of all—that Canada requires honest, clear thinking and the abandonment of racial, class and political prejudice—that our task is worthy of the efforts of a united Canada and the best, unselfish, constant work of each and all of us. If we can but again renew faith the one in the other and in our country, live for Canada and in the faith of our forefathers, the future holds no shadows for Canada.

RESOLUTIONS

I beg to give notice that upon the House resolving itself into committee I shall move the following resolutions:

WEST INDIES PREFERENCE

1. Resolved, That it is expedient to amend The Customs Tariff, 1907, by inserting the following section immediately after section 8:

8a. Notwithstanding anything in this Act, goods, other than tobacco, cigars, cigarettes, spirituous or alcoholic liquors and articles specified in Schedule A of The West Indies Trade Agreement Act, the produce or manufacture of

British Honduras;

Bermuda;

the Bahamas;

Jamaica;

Turks and Caicos Islands;

the Leeward Islands (Antigua, St. Christopher-Nevis, Dominica, Montserrat, and the Virgin Islands);

the Windward Islands (Grenada, St. Vincent and St. Lucia);

Barbados;

Trinidad and Tobago; and

British Guiana

when imported direct therefrom shall not be subject at any time to more than fifty per centum of the duties imposed on similar goods as set forth in the General Tariff under regulations by the Minister of Customs and Inland Revenue.

TARIFF CHANGES

2. Resolved, That Schedule A to The Customs Tariff, 1907, as amended by Chapter 15 of the Acts of 1913, by Chapter 26 of the Acts of 1914, and by Chapter 5 of the Acts of 1914 (second Session) be further amended by striking thereout tariff items 20, 21, 22, 23, 39b, 77a, 101, 101a, 103, 104, 110, 111, 113, 134, 135, 150, 151, 153, 156, 159, 160, 162, 163, 164 and 165, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of said items, and to provide that the following items, enumerations and rates of duties be inserted in said Schedule A:

Tariff Items		British Preferential Tariff.	Intermediate Tariff.	General Tariff.
20	Cocoa paste or "liquor" and chocolate paste or "liquor", not sweetened, in blocks or cakes, per pound.....	4 cents.	5 cents.	5 cents.
21	Cocoa paste or "liquor" and chocolate paste or "liquor," sweetened, in blocks or cakes, not less than two pounds in weight, per pound.....	4½ cents.	5½ cents	5½ cents
22	Preparations of cocoa or chocolate in powder form.....	27½ p.c.	35 p.c.	35 p.c.
23	Preparations of cocoa or chocolate, n.o.p., and confectionery, coated with or containing chocolate, the weight of the wrappings and cartons to be included in the weight for duty, per pound.....	1½ cents. 22½ p.c.	1½ cents. 35 p.c.	1½ cents. 35 p.c.
39b	Arrowroot, per pound.....	½ cent.	1½ cents	1½ cents.
77a	Cocoa beans, not roasted, crushed or ground per one hundred pounds.....	Free.	\$1.50	\$1.50
87a	Onions in their natural state.....	Free.	30 p.c.	30 p.c.
101	Oranges and lemons.....	Free.	Free.	Free.
101a	Shaddocks or grape fruit, per one hundred pounds.....	50 cents.	\$1.00	\$1.00
101b	Limes.....	Free.	15 p.c.	15 p.c.
103	Fruits preserved in brandy, or preserved in other spirits, and containing not more than forty per cent of proof spirit in the liquid contents thereof, per gallon.....	\$2.50 60 p.c.	\$2.50 60 p.c.	\$2.50 60 p.c.
104	Fruits preserved in brandy, or preserved in other spirits, and containing more than forty per cent of proof spirit in the liquid contents thereof, per gallon.....	\$10.00 30 p.c.	\$10.00 30 p.c.	\$10.00 30 p.c.
110	Cocoanuts, n.o.p., per one hundred.....	50 cents.	\$1.00	\$1.00
111	Cocoanuts, when imported from the place of growth, by ship, direct to a Canadian port, per one hundred.....	Free.	75 cents.	75 cents.
113	Cocoanut, desiccated, sweetened or not, per pound.....	5 cents.	6 cents.	6 cents.

Tariff Items		British Preferential Tariff.	Intermed- iate Tariff.	General Tariff.
134	<p>All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item No. 135, when not exceeding eighty-eight degrees of polarization, per one hundred pounds...</p> <p>when exceeding eighty-eight degrees but not exceeding eighty-nine degrees, per one hundred pounds.....</p> <p>when exceeding eighty-nine degrees but not exceeding ninety degrees, per one hundred pounds.....</p> <p>when exceeding ninety degrees but not exceeding ninety-one degrees, per one hundred pounds.....</p> <p>when exceeding ninety-one degrees but not exceeding ninety-two degrees, per one hundred pounds.....</p> <p>when exceeding ninety-two degrees but not exceeding ninety-three degrees, per one hundred pounds.....</p> <p>when exceeding ninety-three degrees but not exceeding ninety-four degrees, per one hundred pounds.....</p> <p>when exceeding ninety-four degrees but not exceeding ninety-five degrees, per one hundred pounds.....</p> <p>when exceeding ninety-five degrees but not exceeding ninety-six degrees, per one hundred pounds.....</p> <p>when exceeding ninety-six degrees but not exceeding ninety-seven degrees, per one hundred pounds.....</p> <p>when exceeding ninety-seven degrees but not exceeding ninety-eight degrees, per one hundred pounds.....</p> <p>when exceeding ninety-eight degrees but not exceeding ninety-nine degrees, per one hundred pounds.....</p> <p>when exceeding ninety-nine degrees, per one hundred pounds.....</p> <p>Provided that refined sugar shall be entitled to entry under the British Preferential tariff upon evidence satisfactory to the Minister of Customs and Inland Revenue, that such refined sugar has been manufactured wholly from raw sugar produced in the British colonies and possessions, and not otherwise.</p>	<p>\$1.50</p> <p>\$1.52</p> <p>\$1.54</p> <p>\$1.56</p> <p>\$1.59</p> <p>\$1.61</p> <p>\$1.63</p> <p>\$1.65</p> <p>\$1.68</p> <p>\$1.70</p> <p>\$1.72</p> <p>\$1.79</p> <p>\$1.79</p>	<p>\$2.00</p> <p>\$2.03</p> <p>\$2.06</p> <p>\$2.08</p> <p>\$2.12</p> <p>\$2.15</p> <p>\$2.18</p> <p>\$2.20</p> <p>\$2.24</p> <p>\$2.27</p> <p>\$2.30</p> <p>\$2.39</p> <p>\$2.39</p>	<p>\$2.00</p> <p>\$2.03</p> <p>\$2.06</p> <p>\$2.08</p> <p>\$2.12</p> <p>\$2.15</p> <p>\$2.18</p> <p>\$2.20</p> <p>\$2.24</p> <p>\$2.27</p> <p>\$2.30</p> <p>\$2.39</p> <p>\$2.39</p>
135	<p>Sugar above number sixteen Dutch standard in colour when imported by a recognized sugar refiner, for refining purposes only, under regulations by the Minister of Customs and Inland Revenue; and sugar, n.o.p., not above number sixteen Dutch standard in colour, sugar drainings or pumpings drained in transit, melado or concentrated melado, tank bottoms, sugar concrete, and molasses testing over fifty-six degrees and not exceeding seventy-six degrees, when not exceeding seventy-six degrees of polarization, per one hundred pounds.....</p> <p>when exceeding seventy-six degrees but not exceeding seventy-seven degrees, per one hundred pounds.....</p> <p>when exceeding seventy-seven degrees but not exceeding seventy-eight degrees, per one hundred pounds.....</p> <p>when exceeding seventy-eight degrees but not exceeding seventy-nine degrees, per one hundred pounds.....</p>	<p>70 cents.</p> <p>70.75 cents</p> <p>71.5 cents</p> <p>72.25 cents</p>	<p>\$1.16080</p> <p>\$1.18366</p> <p>\$1.20652</p> <p>\$1.22938</p>	<p>\$1.16080</p> <p>\$1.18366</p> <p>\$1.20652</p> <p>\$1.22938</p>

Tariff Items		British Preferential Tariff.	Intermed- iate Tariff.	General Tariff.
	when exceeding seventy-nine degrees but not exceeding eighty degrees, per one hundred pounds.....	73 cents	\$1-25224	\$1-25224
	when exceeding eighty degrees but not exceeding eighty-one degrees, per one hundred pounds.....	73-75 cents	\$1-27510	\$1-27510
	when exceeding eighty-one degrees but not exceeding eighty-two degrees per one hundred pounds.....	74-5 cents	\$1-29796	\$1-29796
	when exceeding eighty-two degrees but not exceeding eighty-three degrees, per one hundred pounds.....	75-25 cents	\$1-32082	\$1-32082
	when exceeding eighty-three degrees but not exceeding eighty-four degrees, per one hundred pounds.....	76 cents	\$1-34560	\$1-34560
	when exceeding eighty-four degrees, but not exceeding eighty-five degrees, per one hundred pounds.....	76-75 cents	\$1-37038	\$1-37038
	when exceeding eighty-five degrees but not exceeding eighty-six degrees, per one hundred pounds.....	77-5 cents	\$1-39516	\$1-39516
	when exceeding eighty-six degrees but not exceeding eighty-seven degrees, per one hundred pounds.....	78-25 cents	\$1-41994	\$1-41994
	when exceeding eighty-seven degrees but not exceeding eighty-eight degrees, per one hundred pounds.....	79 cents	\$1-44664	\$1-44664
	when exceeding eighty-eight degrees but not exceeding eighty-nine degrees, per one hundred pounds.....	79-75 cents	\$1-47334	\$1-47334
	when exceeding eighty-nine degrees but not exceeding ninety degrees, per one hundred pounds.....	80-5 cents	\$1-50388	\$1-50388
	when exceeding ninety degrees but not exceeding ninety-one degrees, per one hundred pounds.....	81-25 cents	\$1-53442	\$1-53442
	when exceeding ninety-one degrees but not exceeding ninety-two degrees, per one hundred pounds.....	82 cents	\$1-56496	\$1-56496
	when exceeding ninety-two degrees but not exceeding ninety-three degrees, per one hundred pounds.....	82-75 cents	\$1-59550	\$1-59550
	when exceeding ninety-three degrees but not exceeding ninety-four degrees, per one hundred pounds.....	83-5 cents	\$1-62604	\$1-62604
	when exceeding ninety-four degrees but not exceeding ninety-five degrees per one hundred pounds.....	84-25 cents	\$1-65358	\$1-65658
	when exceeding ninety-five degrees but not exceeding ninety-six degrees, per one hundred pounds.....	85 cents	\$1-68712	\$1-68712
	when exceeding ninety-six degrees but not exceeding ninety-seven degrees, per one hundred pounds.....	85-75 cents	\$1-71766	\$1-71766
	when exceeding ninety-seven degrees but not exceeding ninety-eight degrees, per one hundred pounds.....	86-50 cents	\$1-74820	\$1-74820
	over ninety-eight degrees, per one hundred pounds.....	87-25 cents	\$1-83250	\$1-83250
	Provided that all raw sugar, including sugar specified in this item, the produce of any British Colony or possession, shall be entitled to entry under the British Preferential tariff, when imported direct into Canada from any British country. Provided that sugar imported under this item shall not be subject to special duty.			
150	Lime juice and fruit juices, fortified with or containing not more than twenty-five per cent of proof spirits, per gallon.....	\$2-50	\$2-50	\$2-50

Tariff Items		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
151	Lime juice and fruit juices, fortified with or containing more than twenty-five per cent of proof spirits per gallon..... and	\$10-00 30 p.c.	\$10-00 30 p.c.	\$10-00 30 p.c.
153	Lime juice, raw and concentrated, not refined, per gallon.....	Free.	15 cents	15 cents
156	Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; gin of all kinds, n.o.p.; whisky and all spirituous or alcoholic liquors, n.o.p.; amyl alcohol or fusel-oil, or any substance known as potato spirit or potato oils; methyl alcohol, wood alcohol, wood naptha, pyroxylic spirit or any substance known as wood spirit or methylated spirits, absinthe, arrack or palm spirit, brandy, including artificial brandy and imitations of brandy, n.o.p.; cordials and liqueurs of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, angostura and similar alcoholic bitters or beverages; and wines, n.o.p.; containing more than forty per cent of proof spirit, per gallon of the strength of proof.....	\$10-00	\$10-00	\$10-00
156a	Rum, per gallon of the strength of proof.... Provided, as to all goods specified in items No. 156 and No. 156a when of less strength than the strength of proof, that no reduction or allowance shall be made in the measurement thereof for duty purposes, below the strength of fifteen per cent under proof. Provided also, that when the goods specified in these two items are of greater strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased in proportion for any greater strength than the strength of proof. Provided further, that bottles and flasks and packages of gin, rum, whisky and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength), viz:— Bottles, flasks and packages, containing not more than three-fourths of a gallon per dozen, as three fourths of a gallon per dozen; Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen; Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallon per dozen, as one and one-half gallon per dozen; Bottles, flasks and packages, containing more than one and one-half gallon but not more than two gallons per dozen, as two gallons per dozen; Bottles, flasks and packages, containing more than two gallons but not more than two and four-fifths gallons per dozen, as two and four-fifths gallons per dozen; Bottles, flasks and packages, containing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen; Bottles, flasks and packages, containing more than three gallons but not more than	\$ 8.00	\$10-00 \$10-00	\$10-00 \$10-00

Tariff Items		British Preferential Tariff.	Inter- mediate Tariff.	General Tariff.
	three and one-fifth gallons per dozen, as three and one-fifth gallons per dozen. Provided further, that bottles or phials of liquors for special purposes, such as samples not for sale to the trade, may be entered for duty according to actual meas- urement, under regulations prescribed by the Minister of Customs and Inland Revenue.			
159	Spirits and strong waters of any kind, mixed with any ingredient or ingredients, as being or known or designated as essences, extracts, or ethereal and spirituous fruit essences, n.o.p., per gallon.....	\$10.00 30 p.c.	\$10.00 30 p.c.	\$10.00 30 p.c.
159a	and Spirits and strong waters of any kind, mixed with any ingredient or ingredients, as being or known or designated as anodynes, elixirs, tinctures or medicines, n.o.p., per gallon.....	\$3.00 30 p.c.	\$ 3.00 30 p.c.	\$ 3.00 30 p.c.
160	Alcoholic perfumes and perfumed spirits, bay rum, cologne and lavender waters, lotions, hair, tooth and skin washes, and other toilet preparations containing spirits of any kind:— (a) when in bottles or flasks containing not more than four ounces each..... (b) when in bottles, flasks or other pack- ages, containing more than four ounces each, per gallon.....	90 p.c. \$ 5.00 40 p.c.	90 p.c. \$5.00 40 p.c.	90 p.c. \$5.00 40 p.c.
162	and Medicinal or medicated wines, including vermouth and ginger wine, containing not more than forty per cent of proof spirit	80 p.c.	80 p.c.	80 p.c.
163	Wines of all kinds, n.o.p., including orange, lemon, strawberry, raspberry, elder and currant wines, containing twenty- six per cent or less of proof spirit, whether imported in wood or in bottles, per gallon and	55 cents. 3 cents	55 cents. 3 cents	55 cents 30 p.c. 3 cents
	And in addition thereto, for each degree of strength in excess of twenty-six per cent of proof spirit until the strength reaches forty per cent of proof spirit..... Provided that six quart bottles, or twelve pint bottles shall be held to contain a gallon for duty purposes under this item.			
164	Wines of all kinds, except sparkling wines, containing not more than forty per cent of proof spirit, whether imported in wood or in bottles (six quart bottles or twelve pint bottles to be held to contain a gallon) when the produce or manufacture of any British Colony or territory in the South African Customs Union Convention, per gallon	55 cents		
165	(Champagne and all other sparkling wines:— (a) in bottles containing each not more than a quart but more than a pint (old wine measure), per dozen bottles..... and (b) in bottles containing not more than a pint each but more than one-half pint (old wine measure), per dozen bottles..... and (c) in bottles containing one-half pint each or less, per dozen bottles..... and (d) in bottles containing over one quart each (old wine measure), per gallon..... and	\$9.30 \$4.65 \$2.32 \$4.50	\$9.30 \$4.65 \$2.32 \$4.50	\$9.30 30 p.c. \$4.65 30 p.c. \$2.32 30 p.c. \$4.50 30 p.c.

3. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the tenth day of May, 1921, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

MARKING OF IMPORTATIONS

4. Resolved, That the Customs Tariff, 1907, be amended by inserting the following section immediately after section 12: ~~12~~ 12a. That all goods imported into Canada which are capable of being marked, stamped, branded, or labelled, without injury, shall be marked, stamped, branded, or labelled in legible English or French words, in a conspicuous place that shall not be covered or obscured by any subsequent attachments or arrangements, so as to indicate the country of origin. Said marking, stamping, branding, or labelling shall be as nearly indelible and permanent as the nature of the goods will permit.

Provided that all goods imported into Canada after the date of the coming into force of this section which do not comply with the foregoing requirements shall be subject to an additional duty of ten per centum ad valorem to be levied on the value for duty purposes and in addition such goods shall not be released from Customs possession until they have been so marked, stamped, branded or labelled under Customs supervision at the expense of the importer.

Provided further that if any person shall violate any of the provisions relating to the marking, stamping, branding, or labelling of any imported goods, or shall deface, destroy, remove, alter, or obliterate any such marks, stamps, brands, or labels, with intent to conceal the information given by or contained in such marks, stamps, brands, or labels, he shall be liable on summary conviction to a penalty not exceeding one thousand dollars, or to imprisonment not exceeding one year, or to both fine and imprisonment. The Minister of Customs and Inland Revenue may make such regulations as are deemed necessary for carrying out the provisions of this section for the enforcement thereof.

5. Resolved, That any enactment founded on the preceding resolution shall be deemed to have come into force on the first day of September, nineteen hundred and twenty-one.

EXCISE DUTIES ON SPIRITS

1. Resolved, That it is expedient to amend The Inland Revenue Act as amended by Chapter 6 of the Acts of 1914

(second Session) by repealing section 154 thereof and substituting therefor the following:—

154. There shall be imposed, levied and collected on all spirits distilled, the following duties of excise, which shall be paid to the Collector, as herein provided, that is to say:—

(a) when the material used in the manufacture thereof consists of not less than ninety per centum, by weight, of raw or unmalted grain, or when manufactured from sugar, syrup, molasses or other saccharine matter not otherwise provided for, on every gallon of the strength of proof by Sykes' hydrometer, nine dollars, and so in proportion for any greater or less strength than the strength of proof, and for any less quantity than a gallon;

(b) when manufactured exclusively from malted barley, taken to the distillery in bond and on which no duty of customs or excise has been paid, or when manufactured from raw or unmalted grain, used in combination, in such proportions as the department prescribes, with malted barley taken to the distillery in bond and on which no duty of customs or of excise has been paid, on every gallon of the strength of proof by Sykes' hydrometer, nine dollars and two cents, and so in proportion for any greater or less strength, and for any less quantity than a gallon;

(c) when manufactured exclusively from molasses, syrup, sugar or other saccharine matter, taken to the distillery in bond and on which no duty of customs has been paid, on every gallon of the strength of proof by Sykes' hydrometer, nine dollars and three cents, and so in proportion for any greater or less strength, and for any less quantity than a gallon;

Provided however that any person licensed by the Minister of Customs and Inland Revenue to manufacture patent and proprietary medicines and pharmaceutical preparations by the use of spirits in bond subject to The Inland Revenue Act and regulations thereunder, the following duties of excise shall be imposed, levied and collected, that is to say:—

(a) when the material used in the manufacture thereof consists of not less than ninety per centum, by weight, of raw or unmalted grain, or when manufactured from sugar, syrup, molasses or other saccharine matter not otherwise provided for, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty cents, and so in proportion for any greater or less strength than the strength of proof, and for any less quantity than a gallon;

(b) when manufactured exclusively from malted barley, taken to the distillery in bond and on which no duty of customs or excise has been paid, or when manufactured from raw or unmalted grain, used in combination, in such proportions as

the department prescribes, with malted barley taken to the distillery in bond and on which no duty of customs or of excise has been paid, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty-two cents, and so in proportion for any greater or less strength, and for any less quantity than a gallon;

(c) when manufactured exclusively from molasses, syrup, sugar or other saccharine matter, taken to the distillery in bond and on which no duty of customs has been paid, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty-three cents, and so in proportion for any greater or less strength, and for any less quantity than a gallon.

Provided further that when such spirits testing not less than fifty per centum over proof are sold and delivered in such limited quantities as may be prescribed by the Minister of Customs and Inland Revenue to any university or scientific and research laboratory for scientific purposes only, or to any bona fide hospital, certified to be such by the Department of Public Health, for medicinal purposes only, a drawback of ninety-nine per centum of the duty paid may be granted, under regulations to be made by the Minister of Customs and Island Revenue.

2. Resolved, That any enactment founded on the preceding resolution shall be deemed to have come into force on the tenth day of May, nineteen hundred and twenty-one.

EXCISE DUTIES

Resolved, That it is expedient to amend The Special War Revenue Act, 1915, as amended by Chapter 71 of the Acts of 1920, by striking thereout sections 19BB and 19BBB, the several enumerations of goods respectively, and the several rates of excise taxes specified therein, and to provide that the following sections be substituted therefor:—

19BB. (1) The following excise taxes shall be imposed, levied and collected on the articles hereinafter specified, namely:

(a) A tax on playing cards for every fifty-four cards or fraction of fifty-four in each package,—when selling at twenty-four dollars or less per gross packages, eight cents per pack; when selling in excess of twenty-four dollars per gross packages, fifteen cents per pack;

(2) The excise taxes as imposed by the preceding subsection one shall be payable at the time of importation or when taken out of warehouse for consumption in addition to the present duties of customs or at the time of sale by the Canadian manufacturer, but shall not apply on playing cards when exported, and shall be accounted for to His Majesty in accordance with

such regulations as may be prescribed by the Minister of Customs and Inland Revenue.

(3) (a) A tax of thirty cents per gallon on wines of all kinds, except sparkling wines, containing not more than forty per cent of proof spirits;

(b) A tax of three dollars per gallon on champagne and all other sparkling wines.

(4) The excise taxes as imposed by the preceding subsection three shall be payable at the time of sale by the Canadian manufacturer, but shall not apply to such wines when exported, and shall be accounted for to His Majesty in accordance with such regulations as shall be prescribed by the Minister of Customs and Inland Revenue.

(5) Every person selling or dealing in the articles upon which taxes are imposed as prescribed by this section may be required by the Minister of Customs and Inland Revenue to take out an annual license therefor, for which license a fee not exceeding two dollars shall be paid and the penalty for neglect or refusal to obtain a license shall be a sum not exceeding one thousand dollars.

2. That any such tax, costs or penalties may, at the option of the Minister, be recovered and imposed in the Exchequer Court of Canada, or in any other court of competent jurisdiction, in the name of His Majesty.

3. Resolved, That any enactment founded on the preceding resolution shall be deemed to have come into force on the tenth day of May, nineteen hundred and twenty-one.

SALES TAX

19BBB (1) That in addition to the present duties of customs and excise there shall be imposed, levied and collected an excise tax of one and one-half per cent on sales and deliveries by Canadian manufacturers or producers, and wholesalers or jobbers, and a tax of two and one-half per cent on the duty paid value of the goods imported, but in respect of sales by manufacturers to retailers or consumers the excise tax payable shall be three per cent and on goods imported by retailers or consumers the excise tax payable on the duty paid value shall be four per cent.

Provided that in respect of lumber an excise tax of three per cent shall be imposed, levied and collected on sales and deliveries by the Canadian manufacturer and further excise tax will not be payable on resale.

Provided also that the taxes specified in this section shall not apply to sales or importations of:—

Bread; flour and oatmeal when in packages weighing not less than forty-eight pounds each; animals living; live poultry; meats and poultry, fresh; milk including buttermilk; cream; butter; cheese; oleomargarine, margarine, butterine or other substitutes for butter; lard, lard compound and similar substances, made from animal or vegetable stearine or oils; eggs; vegetables, fruits, grains and seeds in their natural state; hay; straw; hops; nursery stock; chicory, raw or green; bees; honey; sugar; molasses; other farm produce sold by the individual farmer of his own production; ice; fish and products thereof not canned or medicated; ores of metals of all kinds; fuel of all kinds; gold and silver in ingots, blocks, bars, drops, sheets or plates unmanufactured; British and Canadian coin and foreign gold coin; logs and round unmanufactured timber; fence posts, railroad ties, pulpwood, tan bark, and other articles the product of the forest when produced and sold by the individual settler or farmer; newspapers and quarterly, monthly and semi-monthly magazines and weekly literary papers unbound; materials for use only in the construction, equipment and repair of ships; ships licensed to engage in the Canadian coasting trade; calcium carbide; electricity; gas manufactured from coal, calcium carbide or oil for illuminating or heating purposes; materials for use solely in the manufacture of oleomargarine or any substitute for butter or lard or for the production of cotton-lene; artificial limbs and parts thereof; artificial eyes; donations of clothing and books for charitable purposes; settlers' effects; War Veterans' badges; memorials or monuments erected in memory of soldiers who fell in the Great War; articles imported for the use of the Governor General; articles imported for the personal or official use of Consuls General who are natives or citizens of the country they represent and who are not engaged in any other business or profession; Bibles, prayer-books, psalms and hymn-books, religious tracts, and Sunday school lesson pictures, and the Governor in Council shall have power to add to the foregoing list of articles exempted from the excise taxes on sales, as he may deem it expedient or necessary to exempt from the said excise taxes;

Provided further that the excise taxes specified in this section shall not be payable on goods exported, or on sales of goods made to the order of each individual customer by a business which sells exclusively by retail, under regulations by the Minister of Customs and Inland Revenue who shall be sole judge as to the classification of a business; and a drawback may be granted of ninety-nine per cent of the said taxes paid on materials used, wrought into or attached to articles exported.

(2) That the Minister may require every manufacturer, producer, wholesaler or jobber to take out an annual license for

the purposes aforesaid, and may prescribe a fee therefor, not exceeding two dollars, and the penalty for neglect or refusal shall be a sum not exceeding one thousand dollars.

(3) That any such tax, costs or penalties may, at the option of the Minister, be recovered and imposed in the Exchequer Court of Canada or in any other Court of competent jurisdiction, in the name of His Majesty.

(4) That the provisions of this resolution respecting a tax on sales shall be deemed to have come into force on the tenth day of May, nineteen hundred and twenty-one, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

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1922

CANADA

BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS

MAY 23, 1922

AND

Speech on the Amended Resolutions in the
House of Commons, June 12, 1922



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

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BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING, M. P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, MAY 23, 1922

WAYS AND MEANS—THE BUDGET

Hon. W. S. FIELDING (Minister of Finance, Member for Shelburne and Queen's) moved:

That Mr. Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, eleven years have passed since I last had the pleasure of delivering the Budget Speech in this House of Commons. During these years, and particularly since the year 1914, a great change has come over the financial position of the Dominion. I am sometimes afraid that the full character and the consequence of that change are but inadequately appreciated and understood by the majority of our people. That Canada has built up a very large public debt; that the interest alone on that debt calls for an enormous sum of money, greater indeed than the total expenditure of Canada but a few years ago; that we have a large pension list; and that in various ways we have added enormously to our obligations, are facts well understood by all close students of our public affairs. I think they may possibly be understood in a way, a vague and hazy way perhaps, by the broader public whom we sometimes typify as "the man in the street." He has an opinion, no doubt, that things are a little more serious than they used to be; but I do not think he has quite appreciated the full consequences of the change. Some things are happening as in the good old days. The board of trade, the chamber of commerce, the city council, the town council, and all the other excellent organizations which exist for the advancement of the community, hold their meetings and pass their resolves. They decide at once that for some particular thing which is dearest to their hearts they must instantly have a large appropriation, and then they send sheaves of resolu-

tions to that effect, sometimes following those up with delegations in carload lots to impress upon the Government the necessity of complying with their request. Have these people no notion whatever of the situation? It would hardly be fair to say that. Yes, they have a notion in a way; they have a formula of their own; and they will say to the ministers: "Gentlemen, of course we understand that the situation is a little more anxious than it was wont to be; of course, there is need of economy. But the particular thing we want, everyone must admit, is entirely an exception to the rule." We are all in favour of economy for the other fellow, but we are not so ready to recognize the need of economy in the case of the things that are nearest and dearest to us ourselves.

I must to-day present two thoughts which are of paramount importance. The first is as to the need, the deep and earnest need, of economy. That means that we must appeal both to members of Parliament and to the people to pass what I may call self-denying ordinances. They must not expect all the things which in the good old days they got so readily,—it may be a railway, a bridge, a public work of some kind, a public building, a breakwater, a pier, or any one of the numerous things which we should all like to have, all in their way useful in the development of the community, all desirable, some of them even urgent under better conditions. But it is unpleasant to have to tell people, in most cases, that these things must for the present stand aside. The second thought is that, with all the economy that we can practise, there will still be need of severe examination into our taxation system. It is not pleasant to have to increase taxes, but the fact is that under our present taxation system, I am afraid, with all the economy we can practise, there will not be sufficient means to meet the various obligations of the country. And so we will have to ask the consideration of hon. members and of the public in order that there may be a proper appreciation of these new conditions that have arisen.

The accounts for the fiscal year 1920-21 have been published and distributed, so that one need not dwell upon them to any extent. The budget speech necessarily takes some account of three years—the year which has passed and for which we have the public accounts, the year that is sometimes current—in this case it happens to be just finished;—and we have to have some regard to the year ahead.

INCOME AND EXPENDITURE

For the year 1920-21 the public accounts show what is called a surplus, to the amount of \$73,268,391. Old members

may recall the discussions that have taken place in this House from time to time with regard to the manner in which a surplus is declared. A Finance Minister who has the good fortune to produce a surplus—I have had that good luck on a number of occasions—may find, and very often will find, that he meets with this criticism: Oh, you have no such surplus; you actually have run into debt during the year. The method in the past of showing a surplus has been to take what is called the ordinary expenditure of the country—the everyday expenditure, if I may so call it—and set against it the revenue of the year, which left you either a surplus or a deficit. If that revenue is more than the ordinary expenditure you will have a surplus; if it is less than the ordinary expenditure you will have a deficit.

But every year there are expenditures which do not appear in that calculation. The objection made in times past was well founded. It was and is a fact that there are always expenditures of a special character, and the criticism that has been made in times past is in that respect correct. The distinction that is drawn between capital expenditure and ordinary expenditure has often been a subject of debate. This much is clear, that where you have important public works, large undertakings—such, for example, as this building—they are a legitimate charge to capital account. There is very often much dispute as to what is a proper charge and what is not, but I have observed that notwithstanding criticism of that character, whenever a change of government occurred the new Minister of Finance coming into office fell into the old ways and claimed a surplus even when the country was running into debt.

It is not an unfair claim to make if the facts be clearly understood. It has always been the method by which our public accounts have been conducted. So when the accounts for 1920-21 claimed that there was a large surplus of \$73,000,000, the method of bookkeeping was being followed that had existed in the past, yet as a matter of fact during that year there was actually an increase in the public debt of \$92,000,000 and over, the difference, of course, representing the charges to capital and special account and that now ever-growing account, the railway service of the country.

If we turn to the year 1921-22, the year that has just closed, although the accounts are not quite complete we are sufficiently informed to be able to make a substantially correct statement of the outcome.

The income tax and business profits tax for this last year show an increase of \$14,276,774 over the receipts of the

previous year. That, of course, is very gratifying; but on the other side the Customs Department shows a decrease of \$57,000,000. The total revenue from all sources we place at \$381,271,000, against in 1920-21 \$434,386,000. There was, therefore, a very large decrease in the revenue of the year.

The expenditure charged to consolidated fund was \$348,145,000, a decrease of \$12,972,000, as compared with the previous year. With a revenue of \$381,271,000, and an expenditure on consolidated fund of \$348,145,000, there is therefore an apparent surplus, according to the method which I have spoken of, of \$33,125,000 on the year just closed. There were, however, other expenses on capital account of \$23,073,000, cost of loan flotations \$80,218, demobilization \$9,180,000. Then there are other payments which are classified as investments, active or non-active; only the active investments are taken in the reduction of the public debt.

The result of the operations for the year just closed is that while we have according to one calculation a surplus, we have to acknowledge an addition to the public debt of \$86,417,000.

For the fiscal year, 1922-23, on which we have entered, on the basis of our present taxation I would estimate that the revenue would be \$332,629,000. In this we are including customs at \$103,000,000, which is \$2,500,000 less than the receipts of the past year. If our anticipations of improving business are realized, we should do a little better than this.

With regard to income tax we could not expect to be so fortunate. This tax is levied on the income of the past year, which was not a good business year, indeed, I think it was a year of exceptional depression, and the effect of that depression will be marked in the reduction of our income tax receipts for the present year. We received last year from income tax and from business profits tax \$101,500,000. We would not feel justified in estimating for the coming year more than \$60,000,000 from that source.

With a loss of revenue last year as compared with the previous year of \$53,000,000, and with a prospect of a shortage of \$40,000,000 on the income tax for the current year, the House will see that the situation is a very serious one indeed.

From these and other receipts we estimate a total revenue for the present year of \$332,629,000, based, of course, upon our present system of taxation.

The estimates of expenditure which we have submitted to Parliament called for a total of \$466,983,359. Supple-

mentary estimates yet to come will add something to this total, but I hope not much.

From our present sources of revenue we could provide for all our ordinary expenditure and have a modest surplus—in the way that surpluses are now made up—but there would still be a large expenditure on capital account and for the railways, and this would have to be provided for by additions to the public debt. That would not be a very cheerful prospect. We must soon begin to consider the question of the reduction of our public debt rather than aim to increase it. Great Britain with all her troubles has since the war paid off £500,000,000 of her public debt. The United States is making efforts to reduce her public debt. We have not only made no reduction, but we have to acknowledge a steady increase in the public debt every year since the war. Last year, three and a half years after the armistice, we increased our debt by \$86,500,000. If we cannot reduce our debt, we should at all events make strenuous efforts to guard against increasing it. We should endeavour to balance our budget, that is, to pay all classes of our expenditure. It would be a joy to me if I could tell the House that we have an expectation of that during the present year. I am afraid, however, the situation will not permit us to do so much. Let us ever recognize our obligation to move in that direction and make every possible effort toward the end in view. We cannot do this if we are content to rest on our present methods of taxation. Even if our estimates of revenue, which are conservative, should be exceeded—and I hope they will—we shall find ourselves short by a considerable sum. If we are to avoid that situation we must accept the responsibility of additional taxation.

THE PUBLIC DEBT

I want to call attention now to the increase of our public debt. Against the gross debt are set off what are called the assets of the Dominion. In former years practically all our assets were treated as good. When the amount was not very great in proportion to our business, perhaps there was no need of any discrimination, but when these assets, under the operation of our railways, grew to very large figures, it became desirable or necessary that there should be discrimination. My predecessor in office, very properly I think, made that discrimination by dividing those assets into active and non-active. It makes no difference with regard to the general expenditure, but if only the good assets are set off against the gross debt we get a fairer statement of the real debt of the country. Now, we are continuing this method of treating the

assets: we treat these railway moneys as loans. Perhaps there can be some just objection to that. The Grand Trunk and the Canadian Northern are now virtually owned by the Dominion of Canada, and when we advance money to them we are, in a sense, lending money to ourselves. When we represent these debts as assets, a keen critic might find some fault. But it may be that it will be necessary to continue that system; we are following out the accounts for 1922 in that way. There may be an advantage and a convenience in separating the railway operations from the rest of our expenditure. However, there is another view of the matter. We have a justification for charging to capital or to a special account some particular thing—the building of a railway, for instance. Various classes of public expenditure having permanent results may properly be classified as assets, may properly be classified under capital account. But if from year to year we are to provide for the ordinary expenses of the railway; if we are to provide for the deficit, the difference between receipts and expenditure; if we are also to provide large sums for interest on the bonds and other securities of these so-called railway companies—if we are to do that unfailingly every year, with a reducing figure we may hope, it will be open to some to say, with much justice, that this is no longer a special account but part of the ordinary expenditure of the country; and if so, that ordinary expenditure should be included before we undertake to declare a surplus. However, as I said a moment ago, there may be some advantage in keeping the accounts of the railways for the present as separate and apart from the others. If we clearly and definitely understand the nature of the transaction, I suppose there may be no serious objection to it.

The net debt on the 31st March, 1914—I am taking that year as one of great events—was \$335,996,850. That was the accumulation of half a century of confederation. It included what remained of all the old provincial debts taken over by the Dominion. It included the construction of great public works. It included what we once thought were large expenditures. The result of it was that that debt in 1914 was a shade under \$336,000,000. That was considered in its day a large debt, and many a speech was made in this House as to its magnitude, many a cautious member wondered how we were ever going to stand it. But what are we to say of it to-day in comparison with the enormous debt that we now have? As against a little less than \$336,000,000 in 1914, our estimated net debt on the 31st March of the present year was \$2,427,296,798. Our largest increase was in 1920—\$674,000,000; the smallest increase was in the year recently closed—\$86,000,000.

LOANS

During the year four Canadian government loans have been floated. Three of these have been in the names of the railway companies and one a direct government obligation. We still keep up the theory of corporations in regard to these railways; the railway loans are issued in the names of the railway companies, with guarantees by the government. As a matter of fact, the government to-day are both makers and endorsers of those securities; so that practically they are now government loans. Three of these loans, therefore, have been railway loans guaranteed by the government; the fourth was a direct government loan, of which I shall speak in a moment. In July, 1921, there were sold \$25,000,000 of $6\frac{1}{2}$ per cent Canadian Northern Railway bonds guaranteed by the government. These were sold at $92\frac{1}{2}$; they were afterwards sold to the public at $96\frac{1}{2}$. There was thus on that transaction a clear margin of profit to the buyers of 4 per cent—the spread between what the government got and what the investors who got them, paid. This, I think, indicates that it was rather a better transaction for the buyers of the bonds than it was for the government. In September, 1921, a \$25,000,000 fifteen year 6 per cent loan of the Grand Trunk, guaranteed by the government, was placed. It was sold in New York to realize 92; subsequently it was issued to the public at $95\frac{1}{4}$, a spread in this case of $3\frac{1}{4}$ per cent—a little less than in the case of the previous loan, but still a pretty large margin for a transaction of that kind. A third loan was one of \$11,000,000, floated by the present Government in March of this year, \$11,000,000 of three year Canadian Northern Railway five per cent notes guaranteed by the government. We needed \$11,000,000 to retire obligations of the Canadian Northern Railway arising in New York and London. We thought the arrangements that had been made on former occasions for the sale of these bonds had not worked out to the advantage of the Government, and we adopted a different method: we invited tenders in New York for the loan, received the bids, awarded the contract, and sold these notes at 99.03. They were sold again to the public at $99\frac{5}{8}$, a spread between what we received and what the investor paid of 59 cents on the \$100, as against \$4 on the hundred in one case and \$3.25 on the hundred in the other.

Then, we come to the \$100,000,000 5 per cent loan which we recently placed in New York. That loan was to run thirty years, with our right to redeem it, if we wished to do so, in twenty years. It was sold at $97\frac{1}{2}$; it was afterwards placed

on the market at par. Some reference has occasionally been made to commissions. I ought to say that the word is not appropriate. In all these transactions to which I have referred there was no question of commissions; the price mentioned in each case was the net price received by the Government. Our \$100,000,000 loan sold for 97½ net; there were no commissions or charges of any sort to reduce it. We shall probably need for our financial operations some further borrowing at no distant date. I am hoping that when the moment arrives the condition of the money market in Canada will be such that we can have a domestic loan. I think many people regard it as important that we should place our loans at home, because the interest then is payable to our own people. That is an excellent idea, but it may be pushed too far. There are times when it would be manifestly advantageous to Canada to go abroad. But to begin with, times are not so favourable now for placing loans at home. The loans which were so successfully placed a few years ago had for their support the war spirit and the war fever of the time. Men entered into these transactions largely from patriotic purposes, and they had money to invest in those days, for money was being made. That situation is not exactly repeated to-day. The last year has not been a good business year. Not many men have made money. Not many men have money to invest in government bonds to-day, and there is no longer the patriotic zeal for the war. A loan to-day must be looked upon as a cold-blooded proposition. It might be you would have to offer, to induce our Canadian people to invest in a loan, a higher rate of interest than could be obtained elsewhere. On anything like even terms I should prefer the domestic loan, if the money is available.

There is still another thought. Canada is still, I won't say an undeveloped country, but a partially developed country; Canada will still have to be a borrowing country for many years. We shall have to go abroad for capital. If we have too much money locked up in government bonds at home, there will be less money available for mortgages and industrial enterprises in this country. Much will depend on the condition of the money market. If there is an abundance of money, it may be wise for us to have a domestic loan. If there is not an abundance of money, it may be wise to go abroad, because if foreign capital is to be brought in it is easier for the government to bring it in probably than it would be for others. We may still hope, however, that conditions will favour a domestic loan when the moment arrives for us to make another move of that kind.

There is an interesting account that we have with the British government of which it is perhaps worth while passing mention should be made. In the early days of the war, arrangements were made by the government of the day with the British government whereby moneys were advanced by the Mother Country for the payment of our troops in England and France. For a considerable time that continued, and at one time we owed a very considerable amount to the Imperial government. In 1915, on December 31, we owed the British government almost \$141,000,000. Then a change took place. The British government desired to buy munitions and supplies of various kinds in Canada, and they arranged with the Canadian government that advances should be made in Canada to the charge of the British government. Since that point was reached, the account has turned the other way, and we have ever since that been the creditor of the British government to a large amount. At one time, on the 31st of August, 1919, the British government owed us the enormous sum of \$333,000,000. On March 31, 1922, the year just closed, subject to some questions of readjustment with regard to exchange, Great Britain owed us on that date, \$117,859,630. Arrangements have now been made by which this account is to be paid off in installments of \$5,000,000 per month. We have received two payments of that character and no doubt in due course the whole matter will be settled.

TRADE

Coming to the question of our trade, the effects of the depression of the past year are clearly seen in the returns of our import and export trade. As compared with 1921 our imports from the United Kingdom fell from \$213,000,000 to \$117,000,000, and our imports from the United States dropped from \$856,000,000 to \$516,000,000. Our exports to the United Kingdom held better, the amount for 1922 being \$299,000,000, and for 1921 \$312,000,000. Our exports to the United States showed the course of the decline, being \$293,000,000 against \$542,000,000 in the previous year. I do not wish to ask the privilege of the House to put in many statistical documents, but there is one statement prepared by our Bureau of Statistics which I shall ask the House to let me insert. It shows in a condensed form the trade of Canada with each country of the world for a number of years. It will not occupy a great deal of space, and it presents that aspect of the matter in a very quick form. If the House has no objection, I shall see that it is included in my speech.

(The following is the statement referred to):—

IMPORTS AND EXPORTS BY PRINCIPAL COUNTRIES

	Twelve Months ended March		
	1920	1921	1922
IMPORTS FOR CONSUMPTION	\$	\$	\$
United Kingdom.....	126,362,631	213,973,562	117,134,570
Australia.....	1,371,775	791,980	1,041,027
Bermuda.....	55,604	76,959	98,246
British East Indies.....	16,236,412	14,307,404	8,928,420
British Guiana.....	7,412,931	9,085,108	6,166,664
British South Africa.....	735,948	146,798	127,738
British West Africa.....	174,928	104,719	19,202
British West Indies.....	12,114,790	14,833,746	8,113,453
Hong Kong.....	3,208,836	3,516,760	2,114,394
Newfoundland.....	2,146,414	2,886,203	1,387,766
New Zealand.....	3,494,600	4,219,965	1,783,500
Other British Empire.....	1,036,790	2,059,484	2,144,672
Argentine Republic.....	3,402,554	2,552,831	2,355,100
Belgium.....	911,407	4,693,368	3,817,931
Brazil.....	1,973,768	2,151,066	1,495,245
China.....	1,205,229	1,897,349	1,411,135
Cuba.....	17,585,528	30,743,239	13,042,568
France.....	10,630,865	19,138,062	13,467,803
Germany.....	44,255	1,547,685	2,006,513
Greece.....	729,830	817,157	1,033,981
Italy.....	999,040	1,745,330	1,387,370
Japan.....	13,637,287	11,360,821	8,192,238
Mexico.....	2,648,915	2,185,399	3,798,202
Netherlands.....	2,266,169	4,237,791	4,002,145
Norway.....	461,848	616,978	409,359
Roumania.....		688	688
Sweden.....	360,353	55,927	245,295
Switzerland.....	7,758,051	14,143,448	8,671,608
United States.....	801,097,318	856,176,820	516,105,107
Other Foreign Countries.....	24,464,047	19,592,235	17,302,386
Total imports.....	1,064,528,123	1,240,158,882	747,804,332
EXPORTS (CANADIAN)			
United Kingdom.....	489,152,637	312,844,871	299,361,675
Australia.....	11,415,623	18,112,861	10,678,600
Bermuda.....	1,249,020	1,523,992	989,113
British East Indies.....	6,762,259	6,388,898	2,341,175
British Guiana.....	3,109,381	3,594,118	2,298,105
British South Africa.....	8,649,756	14,648,879	3,890,390
British West Africa.....	1,067,639	666,576	144,778
British West Indies.....	10,869,276	13,030,225	9,976,969
Hong Kong.....	1,343,867	2,000,825	1,411,699
Newfoundland.....	16,175,443	16,676,728	9,317,639
New Zealand.....	6,987,008	11,873,000	4,128,531
Other British Empire.....	5,006,094	2,091,246	1,303,224
Argentine Republic.....	6,126,457	8,171,980	3,233,423
Belgium.....	28,463,855	40,252,487	12,359,300
Brazil.....	2,703,488	2,835,191	2,002,449
China.....	6,665,805	4,906,570	1,900,627
Cuba.....	6,329,783	6,573,768	3,974,432
France.....	61,108,693	27,428,308	8,208,228
Germany.....	610,528	8,215,337	4,509,547
Greece.....	29,588,984	20,834,577	5,247,035
Italy.....	16,959,557	57,758,343	15,335,818
Japan.....	7,732,514	6,414,920	14,831,520
Mexico.....	410,825	1,086,197	1,197,597
Netherlands.....	5,653,218	20,208,418	9,582,924
Norway.....	4,798,299	5,119,365	2,599,447
Roumania.....	12,953,605	3,801,584	15,383
Sweden.....	4,449,105	5,528,361	1,220,196
Switzerland.....	1,484,416	1,410,777	345,626
United States.....	464,028,183	542,322,967	293,906,643
Other Foreign Countries.....	17,636,780	22,842,332	13,928,587
Total exports.....	1,239,492,098	1,189,163,701	740,240,680

TRADE AGREEMENTS AND NEGOTIATIONS

Several things have happened with regard to the tariff lately with other countries. An agreement was made by the late government, as the House will remember, with the British West Indies, which came into operation at an early date, and affected most of those islands. One of the islands, however, which remained outside for a considerable period, was Jamaica, but she has now joined the arrangement, and the agreement of that day is in force as between Canada and all the British West Indies.

We have many inquiries with regard to our relations with Australia. There have been communications for some time, under the late government, and under the present government, with the Australian government in relation to that. In the early days of our preferential arrangements, one of the Australian colonies received the benefit of the preference. New South Wales was a low tariff country and she was entitled to the preference. The neighbouring colony of Victoria had higher tariffs, and was not entitled to the preference. Soon after the Australian Commonwealth was formed a new tariff was adopted, which was less favourable than that of New South Wales and from that time forward Australia has not had the benefit of our preference. Efforts have been made by the late government and by this to bring about a friendly arrangement between the two countries. Recently a member of the Australian government passed through Ottawa and we had an opportunity to discuss the subject with him. He manifested a warm interest in the matter and gave us every reason to expect that the Australian government would take a friendly view of our proposal. Thereupon we proposed to the Australian government that they should give us the preference which the United Kingdom enjoys, and we in return would give them the benefit of our preference. That proposal has not been accepted nor have we received any counter-proposal. However, we fully anticipate that some opportunity will occur for further negotiations, and our hope is that we will be able to make a satisfactory arrangement with the Australian Commonwealth.

Not many months ago this House ratified a treaty that had been made with France. It seemed to have been of a temporary character, contemplating a larger treaty at a later date. I believe the French Consul General approached the late government with a view to further negotiations, but the time was not then deemed opportune and nothing was done. We have recently been asked by the French Consul General

to take up the matter, and have intimated our willingness to do so. That is the way the matter stands at the present. I hope at no distant date we shall have some further negotiations, and possibly we may be able to revive the old treaty with France, or make some other treaty which will be fair and just to both sides.

TARIFF REVISION

Now I come to the question of tariff revision. In the Speech from the Throne His Excellency the Governor General said:—

You will be invited to consider the expediency of making some changes in the Customs Tariff. While there are details of revision, the consideration of which will require time and care that are not at present available, there are features of the tariff which it is felt may properly be dealt with during the present session.

The work of tariff revision may be divided into two parts. What I shall call part 1, the part which most concerns the public, I think, is that which touches the revision in the direction of reduction, if there is to be a reduction, in the duties of customs. That is probably the subject most keenly interesting both to those desiring the reduction and to those who do not desire it. The other part relates to what I may call readjustments in a different way. With the progress of time new conditions arise, new interpretations of the Customs tariff are given, new questions come before the Board of Customs, allegations are made that there is inequality between the duty on the raw material and the duty on the finished article. Many questions of that kind arise, not of wide concern to the public generally, but each of concern to some interest which is affected by it. There may be questions of that character to which we shall have to give attention at another time. Some of such there certainly will be, perhaps not so many as some people imagine, but with that portion of the question which relates to the matter of tariff reduction we propose to deal at once.

The line upon which we ought to be expected to deal, and upon which we intend to deal, is expressed in a resolution that I had the pleasure of moving in this House a year ago:—

That, while recognizing that existing financial requirements of the Dominion demand the maintenance of a Customs Tariff, the House is unable to concur in the declarations by the Government that the tariff should be based on the principle of protection; the tariff is a tax, and the aim of legislation should be to make taxation as light as circumstances will permit;

That the aim of the fiscal policy of Canada should be the encouragement of industries based on the natural resources of the coun-

try, the development of which may reasonably be expected to create healthy enterprises, giving promise of enduring success;

That such changes should be made in the Customs duties as may be expected to reduce the cost of living, and to reduce also the cost of implements of production required for the efficient development of the natural resources of the Dominion;

That, while keeping this aim clearly in mind, the House recognizes that in any readjustment of the tariff that may take place, regard must be had to existing conditions of trade, and changes made in such a manner as will cause the least possible disturbance of business.

This resolution declares for tariff reduction—a tariff reduction that should be made with great care, guarding against any interference of a serious character with the business of the country. The policy so laid down is the policy we are prepared to carry out to-day. With the exception of one item, an increase for strictly revenue purposes, every change I shall propose to-day is a reduction in the Customs tariff; it is a revision downward at every point.

BRITISH PREFERENCE

We maintain the British preference which the Liberal government established in 1897 and 1898. When that principle was adopted by the Canadian government it gave offence for a while to some of the people of other nations. Germany, in particular, took offence at it, and for a while undertook to penalize us because of the action we had taken. Other countries, perhaps, did not like it, but still took no very strong part against us. Germany and Belgium were in a particularly favoured position. Other nations had the benefit of what is called “favoured nation treatment.” That is, that any nation having what is called a “favoured nation” treaty shall, at all times, be on even terms with any other nation. That is the general principle of what the favoured nation condition requires. Germany and Belgium had more than that. Germany and Belgium had made treaties—Lord Salisbury called them “those unlucky treaties”—under which they had a right to claim not only the same conditions that were extended to other foreign nations, but the same terms and conditions that were extended to our Mother Country. We had to get rid of those old treaties before we could establish the British preference, and in the end we did.

In the United States some objection was taken, but not in an official way. There was a good deal of discussion in the American press as to this, as was said, “unfriendly act”; but the American government never took objection. When the matter came up they understood that it was entirely a question within our own family circle. And that is the situation

to-day. We stand by the British Preference to-day, and the world recognizes that it is our right to make any arrangement we desire within the Imperial family without any other nation having cause to take offence at it. So we adhere to the British Preference in the arrangement we make, and the effect of the change that we make will be to increase, in some respects, that preference.

TRADE WITH THE UNITED STATES

For many years we regarded the United States as pursuing an unfriendly policy towards Canada in tariff matters. I do not think it was ever deliberately intended to penalize Canada; but we were the nearest neighbour and the tariff policy of the United States unquestionably did seriously affect us, and produced a good deal of hostile feeling in Canada; for years we had reason to complain and we did complain. There came, however, a happier moment when a change occurred. There came a moment when the American government sent representatives to Ottawa to ask us to reopen negotiations, and see whether we could not come to a friendly arrangement. The result of that negotiation—first held in Ottawa and afterwards in Washington—was the making of a comprehensive agreement. It was not a treaty but a comprehensive agreement which was entered into in 1910-11 as the House will remember. I am wondering whether we did not miss the golden opportunity then.

There is a tide in the affairs of men

Which, taken at the flood, leads on to fortune.

The flood tide of goodwill in trade matters from our American neighbours came to us in 1910-11, but unhappily the Canadian people did not accept the agreement. I do not want to dwell upon that further than to have the fact clearly understood that though, in former years, we had reason to complain of unfriendly action, at that moment we had every reason to recognize the fairness of the American government. A happy combination of circumstances arose then which has not arisen since; which perhaps may not come again. A Republican administration, an administration representing the party of high tariff, was in power at Washington; and yet that Republican administration had come to us with a willingness to give us what we thought was a fair deal. The Democratic party was traditionally a low tariff party; and so, with the Republican administration supporting the agreement, the Democratic party naturally gave it their good will.

The agreement was confirmed by the American Congress. It was not confirmed by Canada, much, as I think, to the regret of many of the people to-day who at that time did not view it with favour. Now many things have happened since that time. The Democratic party coming into power established trade arrangements which, for some years, gave us some of the benefits which reciprocity would have given us. The Democratic tariff gave us a chance still to do business, and we did a very extensive business. Unfortunately, however,—no I should not say that; we do not want to meddle in the politics of our neighbours—the people of the United States in their wisdom turned out the Democratic party, and the Republican party were restored to power. Since they were restored to power they have introduced what is called the Fordney Emergency Act, which deals largely with agricultural products. That Act unquestionably worked great harm to the Dominion of Canada, and especially to our western provinces. There is no doubt in the world—we may frankly acknowledge it—that the trade relations that had grown up between the two countries were sadly marred by the Emergency Tariff Act, and our western country in some branches of industry—notably the cattle business—has suffered severely in consequence. Now there is another Tariff Bill at Washington—a bill that has passed the House of Representatives and is now before the Senate—which proposes to enlarge on the Fordney Emergency Act. It includes, I think, all the duties of that Act, and in some instances they are increased. It proposes to establish a schedule of duties which is very high indeed. We have no right to complain of our American friends for doing that; but if they assume that position they cannot expect us in Canada to be as willing as we otherwise would to deal liberally with them. If our American brethren try to persuade themselves that you can sell all the time and never buy, we can only regret that they are failing to understand an economic truth; but since they want to pursue that policy we regret it because it must affect our own attitude towards them. I have had the privilege of being at Washington to discuss this question. I have had the opportunity to say to the President of the United States, and to the leading Congressmen of the Union, that Canada, notwithstanding the events of 1911, was prepared to open negotiations. We were glad that we had a friendly offer before. We were sorry on account of the difference with respect to it amongst our own Canadian people. However, we thought that was past and gone. We thought that the Canadian people to-day were prepared—at all events we the Government

of Canada were now prepared—to undertake negotiations with the desire to obtain something like the agreement of 1911. Anyhow we took that course feeling that it would bring about better relations, believing that good relations will be better for both countries. We do not say that we are dependent on the United States, and still less that the United States would admit that they are dependent on us; each country can live and prosper and flourish without the other, but both will live and prosper and flourish more if they have friendly relations and intercourse as good neighbours should. A distinguished American, who himself was closely identified with the reciprocity movement in 1911, said some months ago that if the reciprocity movement was ever to be revived it must come from Canada. The United States, having made a friendly offer which was rejected, could not be expected to come to Canada again. That was a fair criticism. It was our move; we have made the move, and we have intimated to the American Government in the way that I have described, that we are quite ready to re-open negotiations, with every desire to make a friendly arrangement. Whether anything will come of that or not remains to be seen. For the present, while our American friends are not prepared to meet us in the generous spirit they did in 1910 and 1911, while, in their judgment, it is necessary to adopt the high tariff policy which is now before Congress and which, in all probability, will become law, they will surely admit that, at such a moment, they cannot reasonably expect us to make concessions towards them. Therefore, we propose to hold our hands in that respect and to await the turn of events at Washington. We shall be open at all times to friendly negotiations; but for the present, we are about to make tariff reductions which we are not prepared to extend to them. Whether we shall later be able to extend any of them to the United States or not depends entirely upon the attitude which they assume. I think myself there is a hope for better things. The bill at Washington is not universally popular; there is very strong opposition to it, and there is a possibility that it may not pass. But at all events, I think—and I am sure the House will agree with me—that until we have a clear understanding of what our American friends are going to do, we should hold our hands as regards the United States.

The reductions which we are going to make are almost entirely in the British preference. We are not going, except in a few cases, to reduce duties on American goods, which come to us under the operation of the general tariff. There are a few things which we desire in Canada, which can be obtained

most conveniently from the United States. As regards agricultural implements, for example, to offer a reduction of the British preferential tariff on agricultural implements would only provoke a smile, because such things are not brought from Great Britain; they are made in the United States. In that case, and in a few similar cases, we reduce the tariff on American goods, that is, the general tariff, because that is the tariff that applies; but speaking broadly and generally, our reductions are being made in the British preferential tariff and not in the general tariff which would apply to the United States.

MARKING AND VALUATION

I shall come shortly to the details of what we propose in that direction. Meantime, let me say that there are some other features to which I wish to call attention. The budget of last year introduced a number of features which, though I am sure they were well intended by the minister who introduced them, did not work out well. They have proved to be unsatisfactory, and I think there is no question about that now. One of these provisions was an amendment to the Customs Tariff Act providing that all goods that were imported should, where possible, be marked, stamped, branded and so forth, and penalties were imposed for failure to do this. The government which passed that regulation evidently had occasion to reconsider their judgment on the matter; at all events they were reluctant to enforce it. The law required that the act should take effect on the 31st of October, 1921, I think it was; but when that date arrived, the then government decided that they would not enforce the act, and they gave notice by Order in Council that its enforcement was postponed until the 31st of December. When the 31st of December came, another Government was in power by one day—it got in on the 30th—and the Minister of Customs and Inland Revenue of the present Government shortly after advised that the thing was unworkable and that it be postponed until the present Parliament should be consulted. We are now in a position to determine what to do. Our opinion is that, as a general law, this provision should be repealed. We propose, in any particular case of an exceptional character, when there are reasons why articles imported from abroad should be marked, that we should have the right by Order in Council to deal with the matter; but we propose that, as a general law, this provision shall be repealed.

Another provision of that kind was with regard to the valuation of goods. The time-honoured system of Canada was that the value of goods for customs purposes was the fair

market value in the country of production. That has been our custom for ages. A proposal was made last year to enact that the customs officer must determine the value; that the value for duty must be not less than the cost of production in the country which produces the goods, plus a fair profit. How an unfortunate customs officer, any one of the hundreds scattered throughout Canada, was going to be able to determine the cost of production of these things in a far-away country, I cannot readily understand, and still more would be his difficulty to determine what, under all the circumstances, was a fair profit. However that may be, we are of opinion that that also is an unnecessary interference with trade, and we propose to wipe it out.

Another regulation of a somewhat similar character dealt with the question of depreciated currency. The German mark, for example, is normally worth nearly twenty-four cents; it is actually worth to-day one-third of a cent. The act of last year provided that in no case should depreciation of currency be recognized below 50 per cent. That is to say, in the case of German trade, whatever might be the value of goods, for customs purposes the mark was to be declared worth 50 per cent of its original value; that is, roughly speaking, it should be worth about 12 cents. The normal value of the mark is 24 cents; it is declared to-day to be worth 12 cents, whereas, the actual value to-day is one-third of a cent. What you do by this is really to multiply the duty by a fictitious value, to multiply it by 36 times to-day. That is to say, the thing which is worth only one-third of a cent, you say shall be worth 12 cents. That multiplies its value, as I said, 36 times. So, while you keep up the pretence of a duty of 35 per cent, you are actually taxing those goods 1000 per cent. If you want to say that German goods shall be prohibited, say so; if you shrink from saying that in such a direct way, then put on the 1000 per cent duty; but do not humbug the world at large by pretending that we have a duty of 35 per cent when the real duty is about 1000 per cent.

Another feature of the matter to which I should like to draw attention is this: The design, no doubt, was to give an enhanced protection to some industries which desired it; but what was the effect? The late government have not succeeded in shutting out German goods. What they have succeeded in doing is in shutting out the Canadian merchant from an opportunity of doing direct trade and in obliging him to pay tribute to somebody else. For example, if a merchant in Holland buys goods in Germany, takes them to Holland and then sells them to a merchant in Canada, the invoice is expressed, not in

German marks, but in the currency of Holland which is not depreciated. The Hollander is allowed to purchase the goods at their real value, and the Canadian merchant can go to Rotterdam and buy the goods; but he has to pay the real German price plus the cost of transportation to Holland, plus the Holland merchant's profit—that is, the invoice price of the goods. The Canadian merchant can bring the German goods into Canada in that way; but he cannot bring them in direct. He can do better than that: he can go to England, where there is no duty. The English merchant can buy the German goods at the real value of the mark; he takes them to England, and he sells them to the merchants in Canada at an English price. The merchant in Canada still gets the goods; he is getting them to-day; but he has to pay tribute to the merchant in Holland or in London, and the real effect of this is to prevent the Canadian merchant from doing a direct trade and to oblige him to pay tribute to somebody else. We propose to abolish the whole thing.

Another regulation at that time—it was a busy time in the Budget last year—contemplated the establishment of commercial agencies abroad and the requirement that a commercial agent of Canada should have his certificate attached to every invoice of \$100 or more. It could be seen at once that if that was to be effected, we would have to have a large army of commercial agents, scattered throughout the wide world. After adopting that, the government seem to have had some hesitation in applying it. They did not bring it into force at once. They provided that it should be brought into operation by order of the Governor in Council. They have never brought it into operation. To-day it is a dead issue and we propose to make it doubly dead by wiping it out.

We are making a numerous list of reductions. I shall not detain the House by giving every one. My recollection is that there are forty-nine or fifty items in the tariff that are affected. The resolutions to be placed on the Table immediately will give them all in detail. In the meantime I can state some of the particular items. Last year an arrangement was made whereby the duty on alcohol was increased to a very high figure. It is now \$9 per proof gallon. Provision was made that in the case of men engaged in the making of pharmaceutical preparations, where they are largely engaged in the business, and are put to the expense of keeping a bonded warehouse, they are allowed to get alcohol at \$2.40 per proof gallon as against the rate of \$9 charged others. Now, the druggists of Canada, a very large and respectable body, require alcohol in the making of various preparations, and they are obliged

to pay a duty of \$9 per proof gallon for it, while the man who has a big warehouse and does business on a large scale pays only \$2.40. We think that is inequitable. It was a great mistake on the part of the late government to adopt that scale, and we propose now that the druggists of the country shall be allowed—and we think we can devise a scheme whereby this can be done—to obtain alcohol for their own legitimate purposes, for the manufacture of the preparations they make, at the same rate enjoyed by the large manufacturing concerns. Of course, it is a matter that might easily lend itself to abuse. I realized that, and my first thought was that there might be a danger of that kind. The druggists of Canada, however, are a most respectable body. They are, as a rule, among our foremost citizens, being organized under provincial laws, and I do believe that they will be only too anxious to see that this privilege is not abused. We believe, at any rate, that we can surround it with devices that shall make it absolutely sure that the druggists will use the alcohol only for their legitimate purposes and in no other way. We are doing this in order to meet what we feel to be a reasonable demand on the part of a large section of the Canadian people.

Now I shall give an imitation of some of the reductions in duty that have been made. We are making some changes in the law respecting tobacco, and these I may as well mention. It is proposed to change the duties on cigarettes and cigars and on Canadian raw leaf tobacco when taken into a licensed tobacco or cigar manufactory. The excise duty on all weights of cigarettes is increased \$3 per thousand. The present rate is \$6 per thousand for cigarettes weighing not more than 3 pounds per thousand, and \$11 on cigarettes weighing more than 3 pounds. It is proposed to increase the rate in the customs tariff on imported cigarettes from \$4.10 per pound, and 25 per cent, to \$5.25 per pound and 25 per cent. It is estimated that the increase in both excise and customs tariff will give an additional revenue of over \$5,000,000 per annum, after allowing for a reduction of 10 per cent in the consumption owing to the increased rate. The consumption of cigarettes has grown to immense proportions in Canada, the number consumed last year being equal to 267 for each man, woman and child in the country. It is proposed to readjust the duties on cigars. This will have the effect of reducing the duties on the low priced, and increasing it on the higher priced, cigars. The intention is to impose a graduated rate according to the value of the cigars. At present there is a tax of \$6 per thousand irrespective of the value or character of the cigar. We want to introduce something like the principle of *ad valorem*, so that a cigar of medium

character will still pay about the same rate, while the more expensive cigar will pay a higher rate. We think it is only reasonable that the cheaper cigars should be allowed to come in and be sold at a lower rate than the expensive cigars, and one effect will be to increase largely the consumption of Canadian native leaf.

Then with regard to the duty on raw leaf tobacco. There is a duty of 5 cents per pound on raw leaf tobacco. At present raw leaf tobacco is of very low value. I was told the other day—possibly the case was an extreme one—that the value in some cases is little more than the tax, and therefore the tax seems to be a heavy burden. We propose now not to abolish the duty altogether, but to abolish it when the tobacco is taken into a licensed tobacco or cigar factory. We think that in that way it will lead to an increased quantity of native tobacco being used in the cigar factories, and when the tobacco is used in the factories we shall get the duty of 20 cents per pound. This, therefore, is a move that is intended to help the native tobacco industry, which we all desire to see flourish, while it will not involve us in any considerable loss of revenue.

REDUCTIONS AND THE INDUSTRIES

There are some reductions in duties to which I desire to draw attention. These reductions of duties will benefit the several industries on the following articles. First, I take the farming industry, in relation to which reductions include:—

	Per cent
Mowing machines, harvesters, binders and reapers, reduced under the general tariff	2½
Cultivators, harrows, horse-rakes, seed drills, manure spreaders and weeders, reduced under the general tariff	2½
Ploughs and threshing machines, reduced under the general tariff	2½
Milking machines, reduced under the general tariff	5
Vegetable grading machines, reduced under the general tariff	5
Nearly all other agricultural implements are reduced under the general tariff	5

There is a corresponding reduction on these articles under the British Preferential Tariff, but practically all are imported under the general tariff. Tractors for farm purposes valued at \$1,400 or less and parts thereof, are now free by Order in Council: It is proposed to make these articles free by Act of Parliament. Wrought iron tubing four inches and under in diameter is reduced five per cent under both preferential and general tariffs. Wrought iron tubing over four inches and not over ten inches is reduced five per cent under the preferential tariff. Tools are reduced five per cent under the preferential tariff. Harness is reduced 2½ per cent under the pre-

ferential tariff. Farm wagons are reduced 5 per cent under the preferential tariff and $2\frac{1}{2}$ per cent under the general tariff.

For the dairying industry a reduction is made on paper milk bottle caps of $7\frac{1}{2}$ per cent under both the preferential and general tariffs.

Glass Milk Bottles are reduced 5 per cent under both tariffs.

Dairy tin hollow-ware and cans for milk and cream are reduced $2\frac{1}{2}$ per cent under the preferential tariff and 5 per cent under the general tariff.

Milking machines are reduced $2\frac{1}{2}$ per cent under the preferential tariff and 5 per cent under the general tariff.

In regard to the fruit-growing industry, fruit-grading machines are reduced $2\frac{1}{2}$ per cent under the preferential tariff and 5 per cent under the general tariff.

In the lumber industry there are several reductions. Machinery for saw mills is reduced $2\frac{1}{2}$ per cent under the general tariff. Wrought iron tubing 4 inches in diameter or less is reduced 5 per cent under both tariffs. Tools and cantdogs are reduced 5 per cent under the preferential tariff.

For the mining industry: Porcelain parts of pumps are reduced from 20 per cent preferential tariff and 30 per cent general tariff to free under all tariffs. Wrought iron tubing 4 inches and under in diameter is reduced 5 per cent under both tariffs; and tubing over 4 inches and not over 10 inches is reduced 5 per cent under the preferential tariff.

For the fishing industry: Gasoline over .725 specific gravity and not exceeding .750 is reduced from $2\frac{1}{2}$ cents per gallon to 1 cent under the general tariff. Manila rope not exceeding $1\frac{1}{2}$ inches in circumference is made free of duty to all fisheries,—under the present tariff it is free only for holding traps used in the lobster fisheries. Oiled clothing is reduced five per cent under both tariffs. Oiled hats are reduced $2\frac{1}{2}$ per cent under the preferential and 5 per cent under the general tariff.

The plumbing industry benefits by the reductions already stated on wrought iron tubing and tools.

For the general public there are a number of reductions. Certain liquid medicines, non-alcoholic, are reduced 35 per cent under the preferential tariff and 20 per cent under the general tariff. Cocoa, unsweetened, is reduced 1 cent per pound under the preferential tariff; cocoa, sweetened, one-half cent per pound under the preferential tariff, and cocoa in powder form five per cent under the preferential tariff; and preparations are reduced $2\frac{1}{2}$ per cent under the preferential

tariff. On refined sugar the preference is increased from one-quarter off in the general tariff to practically one-third off.

Other reductions include the following:

	Per cent
Enamelled ware reduced under the Preferential Tariff	2½
Window shades reduced under the Preferential Tariff	2½
Cotton fabrics, grey, bleached or dyed reduced under the Preferential Tariff	2½
Corsets and cotton clothing reduced under the Preferential Tariff	2½
Flannels, lustres, mohair reduced under the Preferential Tariff	2½
Alpaca and Italian linings reduced under the Preferential Tariff	2½
Woollen fabrics, woollen clothing, cloths, doeskins, cassimeres, tweeds, coatings, overcoatings, and felt cloth, n.o.p. reduced under the Preferential Tariff	2½
Rubber clothing reduced under the Preferential Tariff	2½
Knitted goods reduced under the Preferential Tariff	2½
Boots and shoes reduced under the Preferential Tariff	2½
Collars and cuffs reduced under the Preferential Tariff	5
Blankets, cotton, reduced under the Preferential Tariff	2½
Clothes wringers—2½ per cent reduction under both Tariffs.	
Dairy tin hollow-ware reduced 2½ per cent, under Preferential Tariff and 5 per cent under General Tariff.	

Automobiles are now entitled to be entered as settlers' effects by farmers only. It is proposed to admit automobiles valued at not more than \$1,000 by other settlers as well as by farmers. It is also proposed to admit boats for fishing purposes by settlers as settlers' effects.

This is a long list, Mr. Speaker, and one which I hope will find favour with the House.

I have already intimated that while we could with our present taxation system meet what might be called ordinary expenditure, we are not content to do that. We could with our present sources of revenue probably meet what is called ordinary expenditure, possibly even some of our capital expenditure, but it is quite certain that if we do not adopt some other method of taxation we should be adding enormously to the public debt, and I think I speak the wish of the House when I say that that is a course to be guarded against. So we are proposing some new rates of taxation.

The sales tax we propose to increase by 50 per cent. We propose that automobiles up to \$1,200 shall pay a tax of 5 per cent, and those above \$1,200, 10 per cent. On confectionery we propose a tax of 5 per cent; on ale, beer, etc., 15 cents per gallon; on mineral waters and other soft drinks, 10 cents per gallon. Cheques now pay 2 cents. We maintain that 2 cents up to \$50, but we impose a tax of 2 cents on each additional \$50. We propose a small tax of 5 per cent on certain classes of insurance premiums which are not at present reached.

We propose that telegrams and cables, which are now taxed 1 cent, shall hereafter pay 5 cents. On transfers of stock which now pay 2 cents per \$100 share, we propose 5 cents. Beet sugar is to be subjected to an excise duty of 49 cents per 100 pounds.

The beet sugar industry is in a very fortunate position. The ordinary refiner imports his material from abroad and pays duty on it. The value he gets in the way of protection, if you call it such, is the difference between what he pays on his raw material and the duty fixed on the refined article. But in the case of the beet sugar refiner he has no duty to pay on his raw material at all, and therefore when the duty was increased, as it has been increased largely on sugar, he is getting the full benefit to an extent which he really does not need. We think he can well afford to pay a duty of 49 cents per 100 pounds, almost half a cent a pound on beet sugar made in Canada. This will not affect the price of sugar because the price is governed by the duty on the refined article, and that is not increased.

These taxes are all to be made under what is called the Special War Revenue Act, excepting beet sugar, which will be under the Inland Revenue Act.

I have already explained the change we propose in the cigar duty.

Last, but not least, we are going to ask the banks to bear some share of these new burdens which we all have to shoulder. There is at present a nominal tax of 1 per cent on the circulation of the banks, but when you come to the income tax you find that whatever the banks have paid as tax on their circulation is deducted from the income tax. We propose to abolish the exemption and say that the 1 per cent tax on circulation shall be paid and shall come into the revenue of the country. As the circulation in the beginning is really supplied by the Government—by the people of Canada, who give the banks large privileges in this way, we think this demand that they shall pay us 1 per cent tax on the circulation is not unreasonable in these hard times.

FINANCIAL SITUATION

I am not going to detain the House by referring to all the items dealt with. I shall lay the resolutions on the Table, and they of course will be scanned carefully by hon. members as opportunity occurs.

I have deemed it proper in this address to present very clearly what I regard as the gravity of the financial situation. I would not, however, have any one draw the impression that

I have a gloomy view of the future. There is, happily, a brighter side. I have unbounded faith in the resources of our country and in the intelligence and patriotism of the Canadian people. The worst of the commercial and industrial depression is, I believe, over. Already the sun of better times is beginning to shine. I do not look for any rapid restoration to prosperity, but I believe that from this time forward there will be a quiet and steady improvement. Everywhere there seems to be hope and confidence that such improvement is coming. That hope and that confidence will have much influence in bringing about a better day. If Providence sends us a blessing of good crops this year, we may look for the beginning of the prosperity of former times. While we have diversified industries, all of them entitled to careful consideration, we shall do well to remember that agriculture is and will continue to be the occupation of the largest class of our people and the industry that has the widest influence on general prosperity.

No nation in these days liveth to itself. Whether we like it or not, every country is in some degree dependent upon events in other countries. It has been a topsy-turvy world that we have been living in, and we cannot look for satisfactory conditions until the world generally recovers in some degree its balance. In our own country, if one thing more than another is necessary, it is the establishing of better relations between labour and capital.

Admirers of the British constitution claim as a virtue for it that wherever a grievance exists a way of relief can be found. Why should it not be so with labour and capital to-day? In nearly every relation of life we are obliged to submit to the judgment of authority. Why cannot labour and capital agree upon tribunals to which disputes can be referred? The lockout and the strike of to-day are evidences that our so-called civilization is still far from perfect. Why should either labour or capital deem it necessary to resort to force? The general public, whose interests are so often affected by the conflict, have a right to expect that both capital and labour will endeavour to find a better way of settling their disputes. If labour at times seems to be unreasonable, let us not forget that in the days that have gone, too often the workingman, so-called, did not receive a fair share of the wealth which his labour created; too often he saw his employer grow rich and prosperous while the workingman had little more than an existence. There has been a happy change in this respect. We cannot return to pre-war conditions. The workingman's position has advanced. His standard of living has improved. He is unwilling to go back to pre-war conditions, and nobody should

expect him to be content to do so. He has a right to expect better conditions for himself and his family than in former days. But he has duties to perform on his part. Labour has come to a sense of its power. Has it come to a sense of the responsibility and duty which should always accompany power? We cannot doubt but the mass of the workingmen, as we call them, wish to be good citizens of Canada. They hold interests in common with other classes of the community. They have wives and mothers and children and homes to protect, and protection for these can only come when law is upheld and order observed. There are so-called labour leaders who, unfortunately, preach the doctrine that the employer is the enemy of the workman. They preach the doctrine that the workingman should play an entirely selfish part, that his duty is to get all that he can in the way of wages and give as little as he can in the way of labour. Such men are a menace to the true interests of labour as well as to the interests of society generally. There are in Canada many labour leaders who refuse to preach these dangerous doctrines and who, while zealous in defending the interests of labour, are no less zealous in maintaining the interests of society. Let us pray that on this vital question capital and labour may alike recognize their responsibilities, that they may put aside every temptation to play a selfish part and co-operate in efforts which will mark Canada in the eyes of the world as a land of peace, and progress, and prosperity.

(The resolutions, as amended later, are printed at the end.)

SPEECH ON THE AMENDED RESOLUTIONS

BY

Hon. W. S. FIELDING, M.P.

IN THE HOUSE OF COMMONS, JUNE 12, 1922

Hon. W. S. FIELDING (Minister of Finance): Mr. Speaker, my first duty—and it is a pleasure as well—is to offer my grateful acknowledgment of the very many kind words that have been said in the course of this debate concerning myself and my public career. In what, I suppose, must be called the evening of life it is a pleasure to me to feel that, in a somewhat long political career, through all the storm and strife which seem to be incidental to political discussion, not only have I had the good fortune to have the loyal support of the great party to which I belong, but it has been my great good luck, I so count it, that, in almost all these movements, I have had, in a very large degree, the goodwill and friendship of hon. members whose sense of public duty obliged them to differ from me. For all the good words that have been said from all portions of the House, for the loyal support of friends, and the very generous observations of my political opponents, I desire to offer sincere thanks.

Before I proceed to inform the House of the changes which the Government desire to propose in the budget resolutions, I shall ask permission of the House to call attention to some of the criticisms that have been offered. The field is a broad one, and the temptation is strong, but I shall try to resist it, except to deal with a few points. First, let me say that I shall deal with the attitude that has been assumed by my good friends of the Progressive party in relation to this budget. I think we had a right to expect a rather more generous criticism of the budget than has come from them. We expected no help, no aid and no sympathy, from my hon. friends of the official Opposition. It is not their business to be pleased with anything we do, naturally. On the trade question there is a broad line of demarcation between the official Opposition and the Government. They boast that they stand for protection. We of the Liberal party have never stood for protection, and we do not stand for it now. In our resolution of the last session, which I had occasion to read at an earlier stage of this debate, we distinctly took issue with them on that ground. They declared for protection. We declared in our resolution that we were not prepared to accept that principle.

Our Progressive friends do us the justice of saying that, as far as we have gone, the budget is all right, but they think it should go much further. Well, from their point of view, it is reasonable, perhaps, that they should think that. But then most of us learn that we cannot in all things have our own way. All political matters are essentially matters of compromise, in some degree, and, so long as the compromise is not one of principle, there is no reason why men should not compromise, because it is only by a policy of that nature that government can ever be carried on. So I say to my friends the Progressive party, that they are not asked to compromise any principle, but if they believe, as most of them have said, that as far as the budget has gone, it is in their direction, then it seems to me they should be willing to accept it, they may say, as a temporary measure; but, whatever view they may want to take of it, it is a step in the right direction, and, for that reason, I think they should give it their support. A year ago the Liberal party voted for a certain resolution. I read it in the House before. May I call attention again to a portion of it, as follows:—

That, while recognizing that existing financial requirements of the Dominion demand the maintenance of a Customs Tariff, the House is unable to concur in the declarations by the Government that the tariff should be based on the principle of protection; the tariff is a tax, and the aim of legislation should be to make taxation as light as circumstances will permit;

And further on—

That, while keeping this aim clearly in mind, the House recognizes that in any readjustment of the tariff that may take place, regard must be had to existing conditions of trade, and changes made in such a manner as will cause the least possible disturbance of business.

I want to call attention, Mr. Speaker, to the fact that this was not only our own policy, but it was the Progressive policy, because every Progressive in the House did us the honour of voting for it. We had not as large a Progressive group as we have to-day, but the hon. member for Marquette, then as now, was their leader. He did not have a large group, but he had a very energetic group. They found the Liberal policy of that day was entirely in harmony with their own policy. That resolution called for a revision downward, and made in such a manner that business should not be disturbed, and that is exactly what the budget proposes. I say, in all sincerity, that this budget ought to commend itself to our Progressive friends, not as a finality, not as something that is entirely in line with their own views, but as something which follows the right direction, and, so far as it goes it should have their cordial support. If, instead of having the large group they have to-day, being the second group in this House,

they had the good fortune, or the misfortune, to be group No. 1 and to be charged with the responsibility of carrying on the government of this country, and if the hon. member for Marquette (Mr. Crerar) were standing in my place at this moment, I venture to say that he would be obliged, in the light of that resolution, to bring forward a budget substantially in line with that which I have presented. The responsibility is over the whole of us, and I believe if any hon. gentleman of the Progressive party were charged with the responsibility that has come to us to-day, he would feel, if he listened to the representations that have been made, that this was not a time for radical changes, but a time for caution, for moderation, for seeking to take into consideration the interests of the whole country. We are apt, each of us in our own part of the country, to look at things from a sectional point of view, and that is unavoidable. One of the great things of Parliament is that mind meets mind, from east and west and from north and south; and while we look at things from different angles, we discover, for the first time, many of us, that there is another side to every question. As we meet together in the contact of mind and mind we discover that we are able to take broader views. I said in opposition and I say it now that, while I believed the Liberal party would win, I had no fear that the Progressive party would do any great wrong to this country. I believed a sense of soberness would come to all men placed in a position of responsibility and would lead those men to apply moderately the doctrines to which they had committed themselves. So I say, in all sincerity, if hon. gentlemen of the Progressives were standing in our place to-day, they would be obliged to pursue a policy very much along the line of that which we are trying to follow now. It is a policy of moderation, a policy which conforms entirely to the resolution that I have read.

Very much attention has been called to the fact that although we make small reductions in the tariff, we have increased the sales tax, and emphasis is laid on that fact. The sales tax and the customs tax are two different things. No matter what customs duty you might have at the present time, you would need to have a sales tax. The hon. member for Marquette expressed his disapproval of the principle of the sales tax, and that is a fair matter of opinion; but to the best of my recollection, he did not propose any substitute for it. Last year we received \$60,000,000 from the sales tax. We are increasing it one-half, and this year we expect to get \$90,000,000 and possibly \$100,000,000 from that tax. One or two hon. gentlemen in the Progressive party have suggested

other things. One suggested a land tax, another an inheritance tax. There may be merit in either or both of these suggestions; but they are not what we might call "ready reckoners"; they would not yield money very quickly. We have not the machinery to establish a land tax, and even an inheritance tax would not bring us much revenue in a hurry. Death is sure; but sometimes it is slow, and I am not sure that either by an inheritance tax or a land tax we could get much money in this year of our Lord. I am not condemning either of those taxes. I regret to say that all that we can get out of these proposed new taxes will still leave us short of money at the end of the year; whoever may stand in my place a year hence will probably have to devise new taxes, and, perhaps, some of the suggestions coming to us to-day will be found to be exceedingly useful. Therefore, because a tax is not adopted to-day, it does not follow that it may not have to be adopted at no distant date.

As regards the question of the tariff proposals, I think my hon. friends of the Progressive party should have given the matter more consideration. They should not be antagonistic to them; they should regard them as being in their own direction, although they do not go as far as they wish the reductions to go. The leader of the Opposition (Mr. Meighen) and the ex-Minister of Finance (Sir Henry Drayton) have both treated the reductions that we make as small things. The leader of the Opposition said that they were microscopic; the ex-Minister of Finance said that they were so unimportant that they were hardly worth mentioning, and I think it was the hon. member for West Toronto (Mr. Hocken) who said that they were piffling. Well, I hope they will tell that same story when they go back to the manufacturers of the country and when they are asked what they think of this thing; but I get an inkling of what they will say then, because before the leader of the Opposition had finished his speech, he pictured, and called the attention of the hon. member for Brantford (Mr. Raymond) to what he said was a fact, that as a consequence of these reductions, microscopic and piffling, the workmen of Brantford were going to walk the streets in idleness. When he goes to the manufacturing districts, he will not find that these are viewed as mild or piffling reductions. They are reductions which account for a great deal. Two and a half per cent off an item in a manufacturing industry is often regarded as a very serious injury, and I know to-day there are many interests in Canada which are alarmed at the reductions that are made. I think their alarm is needless. Capital is usually easily alarmed; manufacturers are easily alarmed.

I remember that two days before the budget of 1897 was brought down, I was waited upon by a deputation of bankers. I do not think I have ever made this statement in public before. They came to me and pleaded that we should not touch the tariff at all. They pointed out, as men always do, the interblending and the interdependence of interests. It was not the manufacturer alone; it was the banker, the labourer, the merchant. All interests were interwoven into a network, and if we touched the tariff at all, dreadful things would happen. If we had acted on their views, we would have made no changes at all. We made changes, important changes, as I shall proceed to show. What happened? Was the business of the country ruined? How far the tariff had anything to do with the matter, I will not venture to say, because it is not for me to boast. But for many years afterwards, the business of Canada flourished as it had not flourished for years before. So, if there are manufacturers who are disturbed over this, I ask them to look back to the records of 1897 and to remember that the alarm which they then felt was uncalled for, and it is uncalled for to-day.

We have been delving into ancient history in this matter. I am not sure that that is very profitable; but if we are to have ancient history, we had better have it correctly. The statement has been frequently made in this discussion that the Liberal party in 1897 made no material changes in the tariff. Perhaps, when men hear a statement made first, they do not look into it closely; but when they hear it made a dozen times, they begin to believe it. I suppose that when my hon. friend from West Toronto, who is a decent, respectable and God-fearing man, stated the other day in this House that the Liberal party in 1897 adopted the tariff of Sir John A. Macdonald, he was repeating an ancient fabrication which at one time he had heard, and which possibly had gradually grown upon him until he believed it himself. There is no shadow of foundation for such a statement. The Liberal tariff of 1897 was not the tariff policy of Sir John A. Macdonald. It made important changes. To begin with, it introduced the British preference. Did that distinguished statesman ever introduce such a tariff? Yet, my hon. friend from Toronto only echoes what other people have said when he declares that in 1897 we simply adopted the Conservative tariff policy. But that was not all. The British preference itself brought considerable reductions in the tariff, but beyond that there was a long list of reductions, and substantial reductions, made by the dozen in the general tariff at that time. Therefore, when we are told that the

Liberal tariff policy of 1897 was a policy adopted from the Conservative party, I want to tell my Conservative friends who make that statement that they are simply repeating an ancient fabrication which never had any foundation, and which should no longer be imposed upon this House. I could read the items if I had time.

Mr. MEIGHEN: That statement was embodied in the campaign literature of hon. gentlemen behind my hon. friend, including the hon. member for St. Antoine (Mr. Mitchell) in the last election.

Mr. FIELDING: What statement?

Mr. MEIGHEN: The statement which my hon. friend has just denounced as a fabrication.

Mr. FIELDING: I have never seen it in that form. I have never heard it made by any Liberal; I have always heard it made by my Conservative friends. I am willing to be generous and to believe that they are misinformed, and that gradually the thing has grown upon them until they imagine it to be a fact.

I think that instead of undertaking to prove what the Liberals said at the time I might do as well by producing another witness. It will be remembered that at that time the leader of the Conservative party was Sir Charles Tupper. Now, bear in mind that we are told that the policy we adopted was the policy of the Conservative party; it is said that we were merely continuing the National Policy. I was under the impression, Mr. Speaker, that I had by me the extract from the speech of Sir Charles Tupper, but I find that it is not among my papers. However, I remember distinctly hearing Sir Charles Tupper denounce that policy. He declared that a greater crime could not very well be committed against the industries of Canada than was to be found in the tariff of 1897. He said, virtually, "I have heard the sorrowful wail of the manufacturers and the workmen of the city of Montreal rising up in protest against this tariff." Well, if it was the National Policy, the old Conservative policy, if there was no material change from that policy, why in the world did that veteran leader of that day find it necessary to denounce it as a crime against the industries of the country? I am going to ask my hon. friend from Toronto to forget that dream of his and never to repeat that ancient proposition.

Now, we have heard in this debate a good deal about reciprocity. I am glad we have, and we shall hear more about

it again. And there we have another broad line of demarcation between the official Opposition and ourselves. My right hon. friend the leader of the Opposition (Mr. Meighen) has said distinctly that he does not want any reciprocity. Well, I am glad to have that open confession. He gets back to the old slogan: "No truck or trade with the Yankees." I am glad to have the statement from him, if it is his view.

Mr. MEIGHEN: I cannot sit while my hon. friend misrepresents me. I stated that I was opposed to any extensive reciprocal arrangement with the United States, but I have never used the words, "No truck or trade with the Yankees," nor have I ever heard any one on this side, supporting this party, use that expression. I have only heard the hon. gentleman himself make use of it in seeking to put up a shadow that he might knock down.

Mr. FIELDING: I never attributed to the right hon. gentleman the words "No truck or trade with the Yankees," but the sentiment is there. Those words express the sentiment of the Conservative party.

Mr. MEIGHEN: Oh, no.

Mr. BUREAU: It was the Conservative slogan of 1911.

Mr. FIELDING: Will the right hon. gentleman deny that in the debate the other day he said that we had reciprocity and it took years to recover from it? Why did we have to recover from it? And who tried to recover from it? From the time we had reciprocity, between 1854 and 1866, up to the time the Tory party were driven out of power in 1896, there never was a leading public man in Canada, Grit or Tory, who did not stand for reciprocity. My right hon. friend says that it took us years to recover from the effects of that reciprocal agreement. How and where does he get his evidence in support of that statement? I repeat, Sir, that there was never a public man, either Grit or Tory, who sat in the seats of government during all that period who did not stand for reciprocity. Did they not send delegate after delegate to Washington, almost begging for reciprocity? Yet we are told now that it took us years to recover from reciprocity. If it was an evil from which it was considered desirable, in the interests of the country, that we should recover as quickly as possible, why did the Conservative party go begging for reciprocity?

Mr. MEIGHEN: That was during the period of recovery. From the breaking of the pact, those pilgrimages ceased, and Sir Wilfrid Laurier announced that they had ceased for good.

Mr. FIELDING: He stated that we would not go to Washington, and he was right. And we did not go to Washington; Washington came to us. Washington sent her delegates to us after years, as we thought, of ungenerous treatment. Washington sent to Ottawa delegates who said: "Never mind the past, we are prepared to meet you in a fair spirit now." Were we right or wrong, then, in treating with them? What would this country have said if we had replied to those delegates: "Get you gone. You quarrelled with us in bygone days and refused to consider terms with us. Go away; we will have no truck or trade with you at all." What would the country have thought had we made any such reply? That would have been the attitude of the Conservative party, however, if I understand, and am to judge by, their position to-day. Now we have a clear understanding from hon. gentlemen opposite; they do not want reciprocity. Indeed, Sir, it may now be a difficult thing for us to secure reciprocity; I am afraid we lost the golden opportunity in 1911. It will not come again, I fear, but if it does come, there is this difference between our friends opposite and us. We, the Liberal party, say that if at any moment our American neighbours are prepared to meet us in the spirit in which they came to us in 1910 and 1911 we are ready to discuss the matter with them, with a willingness to make a satisfactory arrangement so long as we protect the interests of Canada just as we did in 1911. My right hon. friend and his associates, on the other hand, take the opposite stand. They say: "Don't come; keep off the grass!" And that is a big enough and broad enough difference to divide two parties in this country. I do not hesitate to say that, in my judgment, any political party that deliberately declares that it does not want to establish friendly and better trade relations with the great Republic beside us can never win the confidence of the people of this Dominion. Hon. members of this House have been discussing to-night the estimates of my hon. friend the Minister of Trade and Commerce (Mr. Robb). Let them take up that little booklet his department issues, "Commercial Intelligence," if that is the proper title, and they will find therein a list of men whom we are sending out with the object of helping to encourage trade between other countries and Canada. We have these men in Europe, in Asia, in Africa, in fact all over the wide world, and we want trade from all these various countries. But right alongside us are 110,000,000 of the richest people on earth; and what are we told? Hon. gentlemen opposite would tell them we do not want to trade with them. I say that it is in the interest of Canada and, indeed, of the Empire,

that we should cultivate friendly relations with this great nation beside us, and my only fear is that we have lost our opportunity. But let it be known that there is this broad line between hon. gentlemen opposite and ourselves, that when the same opportunity comes again we shall be ready to grasp it, while they say they do not want to have anything to do with the United States on any such conditions. That is a big question. I had occasion to discuss this matter some years ago, and while I do not often indulge in the vanity of quoting from speeches of my own, I shall venture to do so to-night.

Mr. GRAHAM: You cannot do better.

Mr. FIELDING: During the campaign of 1911 I addressed a meeting in Windsor Hall, Montreal, and I am going to ask the indulgence of the House while I read a passage or two from that speech, which I think has a bearing on the present situation in Canada. I said:

Four years ago, I think it was, I had the pleasure of addressing a meeting in this same hall, at which I ventured to discuss the question of the tariff in its relation to East and West. I would like to quote for you a passage in my speech then, but I will give you the substance of it. I ventured to point out to the manufacturers of Canada that it was a mistake for them to array themselves in antagonism to the people of the western provinces. That opinion I want to express again to-day. There is the danger that East and West may be brought into antagonism. The danger is not to be found in reciprocity itself, but the danger is that the manufacturing interests of this country and their allied moneyed interests will array themselves in hostility to the growing feeling of the western farmers. Don't make any mistake about it—the day is within sight of the younger men here, and of some who are not so young, when there will be more people west of the Great Lakes than east of the Great Lakes. The West is going some day to dominate Canada, and we who live in the East, if we are wise, may as well look ahead and see this. What kind of a West is it to be? Is it to be a wise and prudent and sympathetic West, or it is to be a rash and reckless and dangerous West? The answer can be made by the manufacturers of the Dominion and the allied moneyed interests to-day. I do not hesitate to say that with proper care, with fair treatment, with reasonable argument, we can bring the western farmer to be sympathetic and to be willing to work in harmony with the people of this eastern country, who have done so much for the building up of the West.

A Voice: Will there be no factories in the West?

Hon. Mr. Fielding: That is a very proper question to ask. Certainly there will be factories in the West. But I think the gentleman will agree with me that while factories will grow as they grow everywhere with population, for the present and in the early future agriculture is to be the dominant force in that Western land. My friend will admit that. There will come factories, but for the present and for the future, and may be for the future far ahead, the agricultural interest is going to dominate that country. We must consider whether we are going to antagonize and irritate that interest or whether we are going to meet them as brethren and deal out to them fair consideration.

Then after some further remarks, I said:—

Now, I believe that if we meet the farmers in a right spirit, if we point out their extreme views, as we have to point out their

extreme views when they insist on free agricultural implements, if, I say, you meet these people in the right spirit, if you reason with them, if you let them understand that you are not trying to oppress them, if you give them a kind and sympathetic hand, they will be disposed to be more reasonable and fair and to take their full share of the burden of developing our vast Dominion.

But suppose you do not do that. Suppose the manufacturers should organize to-day with their money to defeat this agreement, I want to tell you, my brethren, that there will grow up in that western country a dangerous feeling. Don't make any mistake about it. I beg the manufacturers of this country—I always talk frankly to them and I am doing so now—I beg them not to range themselves up against the farmers of the West. The manufacturers are not hurt; they are more frightened than hurt. I give it to you as my opinion, worth much or worth little, that if by the forces of the manufacturers this agreement be destroyed, there will grow up in that western country a feeling that will be dangerous to the manufacturing interests of Canada and dangerous to the welfare of this Dominion.

That was eleven years ago, Mr. Speaker, and I do not hesitate to say that while other causes may have had an influence in upsetting the western people, if I may so express it, yet the gravest charge the western people were able to bring against eastern Canada was that that reciprocity agreement, which gave them some help, was destroyed by the attitude of the manufacturers and their allied moneyed interests. In the West, if there is unrest to-day, if we have men in that western country saying things against the integrity of the Dominion, make no mistake, you can trace their origin to the fatal error made by eastern Canada in 1911. I do not want to dwell further on that question of reciprocity, but I should like you distinctly to understand that we accept the broad issue that is laid down on that question.

A curious phase of this debate has been the picture presented to us of the industrial condition of Germany. There is an economic condition in Germany to which our attention must be drawn. But it seems to me that hon. gentlemen opposite have not been content to deal with the economic question only; they have traded, if I may say so, on the anti-German feeling. Now, undoubtedly the picture they present is this. Germany has a remarkable depreciation of the mark. But Germany is prosperous, her people are willing to work long hours for low wages, industry is humming, business is good, and Germany is flourishing, because the mark has depreciated. Well, if that is true, what fools we mortals be in Canada and the rest of the world! Here we have been struggling to keep our credit good, here we have been fighting to make our dollar 100 per cent, and when a few months ago our dollar in New York was worth 15 cents less than par we did not know whether to be angry or sorry, but we all felt it was something to regret; and when a few days ago my hon. friend from Marquette mentioned incidentally in debate that

he was glad to know our dollar to-day is worth almost par the sentiment was applauded all over the House. Evidently we are wrong; we should be sorry that the Canadian dollar is worth $99\frac{1}{2}$ cents to-day, for if worth only 50 cents, 40 cents, 10 cents, then, according to this picture of Germany, we would be in a happy and prosperous condition. Well, I refuse to believe that.

There is a situation in Germany which demands some attention. It is an economic law, which usually is found in operation, that where a country's currency is severely depreciated, that depreciation, if not accompanied, is soon followed by a corresponding advance in the price of commodities and wages. There is to-day a race on in Germany between the continued depreciation of the mark and the relative advance in the price of commodities and wages. At present the mark has won. It used to be that about $4\frac{1}{4}$ marks would buy a gold dollar; to-day it would take nearly 300 marks. That is a condition which cannot continue much longer. There is now coming an increase in the price of commodities and wages, and there can be no doubt that as the months roll on that increase will be very pronounced, and when conditions become very bad we will not of course hear such glowing reports of German prosperity.

However, there is that economic condition to which attention must be drawn. But, as I remarked a moment ago, my hon. friends have not been content with calling attention to that economic condition; they have tried to drag in all the horrors of the war. I think it was my hon. friend from Vancouver (Mr. Stevens) who pictured the horrors of the war and asked: Are we going to trade with these German people? And my hon. friend from St. John (Mr. Baxter) went further, if I am not mistaken; he thundered his denunciations against the Germans and asked beseechingly: Are we going to trade with these Germans? Every other nation in the world is trying to trade with the Germans to-day, and we should not be too proud to trade with them. I have an individual right as a citizen to say whether or not I want to buy German goods, and I know what my preference is in the matter; but as a nation we have no right to legislate against Germany.

My hon. friend from St. John paid a high compliment—and one which I am sure we all admired—to his leader, and declared his loyalty and devotion to him, but before he finished his speech he denounced in vigorous terms one of the great acts of his leader's career, at least the Conservative party think it so, that is the Treaty of Versailles. When my hon. friend

waves the bloody shirt and thunders out his denunciation against what he terms the premature peace, and regrets that the cities of Germany were not devastated as were the cities of France—when he does all that, I tell him he is denouncing his leader, because that leader and his friends were the people who brought about that peace.

Thou canst not say I did it! Never shake thy gory locks at me!

I was not one of those who joined in the joy-ride to Paris, nor did any colleague of mine, when our friends opposite went through the amusing farce of pretending to negotiate the peace treaty. Be it good or be it bad, I had no responsibility in the matter. They are the men who signed, sealed and delivered that document, which on the first page declared that its purpose was to put an end to the state of war and bring about between Germany and the allied countries, including Canada, a firm, just and durable peace. That is what my hon. friend's leader and his colleagues did. But they did more than that—they wasted \$1,000,000 of the money of the people of Canada in a special session of Parliament for the purpose of approving that treaty—about as useful and necessary a proceeding as the fifth wheel of a coach. However that may be, they signed, sealed and delivered that bond, and declared that Canada and the Empire were at peace with Germany. Now they come here and talk about the harm that would be done if we trade with Germany. I am not more anxious to trade with Germany than other people, but in view of their action at Versailles I do not like to see my hon. friend waving the bloody shirt and denouncing Germany. We have made our peace with Germany and we ought to treat her decently; and that is all I propose to do.

Now, on the economic question relating to Germany, much can be said. The German mark is worth to-day one-third of a cent; under normal conditions it was worth 23 cents and a fraction. By the act of last year the government declared that for customs duty purposes it should be valued at 12 cents—for convenience I take that figure as half of the 23 cents and a fraction. The hon. member for Centre Vancouver, who gave much attention to this matter the other day, rather held that that was a mistake; that if anything the percentage was too high; it was piling on the taxes too heavily. He said it might be better to make the percentage 35, and there is merit in that suggestion. After studying this question we have formed a conclusion of our own as to what will be the best method of dealing with this matter, and at a later stage of my remarks I will inform the House what that is.

It has been stated over and over again that we are taking off 2½ per cent on agricultural implements and adding a certain percentage by way of sales tax. Now, I want to put a fair question, and I will put it to my hon. friend from Vancouver, who generally takes a fair view of these things when politics allow him to do so. Does my hon. friend say that we can carry on efficiently the government of Canada and meet our obligations without new taxation? He will not say that; I am sure he would admit at once that if we are to meet our obligations—I do not say whose obligations they are; I am not making any point in that regard; they are the obligations of Canada—if we are to meet those obligations; if we are to pay interest, if we are to pay our pensions, if we are to make provision decently at all for the public service of the country, we must have increased taxation. That being the case, why alarm the people saying we are taking off 2½ per cent and piling the taxation on in the form of sales tax?

Hon. gentlemen opposite are constantly saying that the sales tax hits everybody. I think it was the hon. member for Carleton-Victoria who said the other day that the sales tax affects one hundred per cent of the people. Now, that is rather a magnified statement. There is a very large list of exemptions from the sales tax, chiefly foodstuffs. The only change we have made in the matter is that we have increased the list of exemptions. I do not see how in the world it can be said that there is anything wrong in that respect. We do adopt the sales tax, and we increase the amount of it, because the country needs it.

With further reference to the German business, I think one hon. gentleman said that if we had any favours to give in this matter we should give them not to Germany, but to our friends. Well, one of the misfortunes of this matter of depreciated currency is that it hits one of our friends. Is Italy our friend? Was Italy our ally in the war? In what we are doing we are penalizing not only Germany, but Italy as well.

Mr. STEVENS: If my hon. friend will permit me, the suggestion that I made to reduce the percentage to 35 would meet the case of Italy.

Mr. FIELDING: The hon. gentleman's suggestion as far as it went, was a good one, and I have given him credit for that. The Italian lira is usually worth the same as the French franc, a fraction under 20 cents; I call it 20 for convenience of calculation. Under the law of Canada, as it was last year, goods coming from Italy have been valued for duty purposes as if the lira were worth 10 cents. The actual value

of the Italian lira was $5\frac{1}{2}$ cents, the value for duty purposes being, therefore, really doubled. I know there is trouble in connection with these depreciated currencies, but I would like to point out that it is not only Germany that is hit; it reaches Italy also, one of our friends. I will come to that a little later and suggest what I think will be a reasonable way of meeting the difficulty.

I have been surprised to be told that this is a protectionist budget. I cannot understand the logic of that statement. With the exception of one or two items in relation to tobacco for purely revenue purposes, every change that is made in this budget is a downward revision of taxation. How can anybody make a protectionist budget out of a reduction of taxation? Is this to be the final word? There is no finality in politics. I say again, with all due respect to my Progressive friends, that if they stood in our place to-night they would not be able to go any further than we have gone. Whether we shall be able to go further another time is a question that we must leave to the future. But let me add this: You know the mind of our Conservative friends; you know the direction in which they are looking in regard to the tariff, and you know the direction in which the Liberal party has been looking through all the years. That is the direction in which they will continue to look.

Mr. MEIGHEN: Is not all my hon. friend says with regard to this budget true of the 1919 budget?

Mr. FIELDING: Well, I have not studied the 1919 budget.

Mr. MEIGHEN: Everything a reduction, and the hon. gentleman opposed it.

Mr. FIELDING: I do not think the hon. gentleman will find that I opposed any reduction at all.

Mr. MEIGHEN: Opposed the budget.

Mr. FIELDING: No, I think my hon. friend will find he is mistaken in that view. However, I am more interested in the budget of 1922 than I am in the budget of 1919, though I do not mind a little delving into ancient literature for the purpose of trying to correct the errors that have been made.

I think it was the hon. member for East Lambton (Mr. Fansher) who dwelt on the payment of drawbacks to various companies, and he saw in this some great wrong. Why, he said, "You have paid half a million dollars by way of draw-

back to the Ford Motor Company, and a million and a half to the Atlantic Sugar Refineries, but I have seen no drawback paid to the beet sugar people." Well, as the beet sugar people had not paid a cent into the treasury they could not very well have any drawback. There are two phases of that matter to which I want to give a little attention by way of explanation. If my hon. friends have not already heard it, they will see at once that the explanation is very simple and that there is no favouring anybody in these drawbacks. First, in regard to the Atlantic Sugar Refineries, I may point out the duty on sugar varies according to the character and quality of the sugar. When a cargo of sugar arrives at Montreal or Halifax, it would be a great convenience if you could then and there determine the amount of duty to be paid and settle the matter forthwith. But you cannot do that; it takes time, and in the meantime the steamer is lying at the wharf and expense is being incurred. Now, common sense generally prevails in government matters; I will say that even of my hon. friends when they were in power, because they did have some common sense policies. What they do is this: There are two tests in the sugar business. There is the colour test, which is called the Dutch standard, the value of the sugar being judged by its colour, and there is another test of the strength of the sugar which is called the polariscope test. It takes time to apply these tests and to ascertain exactly the rate of duty to be paid on a cargo of sugar. So the customs people say: "We will let you pay your duty now at the very highest rate which can apply; we want to take no chances. Then we will test the sugar, and if it is found that your sugar is not valued as high as that, you will be entitled to a refund." Is that reasonable? Is that businesslike? Is it simply a refund of duty that was overpaid by the Atlantic Sugar Refineries. Is there anything wrong in that? I think it is a businesslike transaction from beginning to end.

Now, let us turn to the question of drawbacks made to the Ford Motor Company. In every case it will be found that the drawback paid to the Ford Motor Company was for exports. It is a principle of our Canadian law, and I think it is a principle of commercial law everywhere, that you levy your taxes upon consumption in your country. If an article comes into the country and enters into consumption, it is taxed; if it does not enter into consumption, it is not taxed. Suppose two bales of goods are landed on the wharf at Montreal. One of them goes into warehouse and awaits the judgment of the owner, who next day or next week makes up his mind to send

it off to the West Indies. It goes out; no tax is paid on it. It has contributed nothing to Canada except the labour of the men who handled it in taking it off the ship and putting it in the warehouse; it is simply passing through. That is reasonable; you do not want to collect duty on goods in transit. Well, the man who owns the other bale of goods says: "I will not leave that bale in the warehouse. I will send it up to the factory; I will put it through the mill; I will give employment to people; I will turn it into manufactured goods; and then I will send it out to the West Indies." Is he not then entitled to a drawback on the duty he has paid? Is he to be penalized because he gave employment to a large number of people? The other man passed his bale out of customs, but he gave no employment. The first man, for his own selfish profit, of course—this is a selfish world—takes that bale of materials, puts it through his factories, and does other things to it. He pays a duty on it and then when it is ready to be exported abroad, he says: "That has not been consumed in Canada, that is going away to the West Indies; I am entitled to a drawback," and so he is.

Mr. MORRISON: What was the manufacturer's object in importing the raw material and manufacturing it; was it not to make a profit on it?

Mr. FIELDING: Yes, and he paid the duty when he brought it in.

Mr. MORRISON: And he gets a drawback when he exports it?

Mr. FIELDING: Of course, but if wealthy the income tax man will reach him. But after all, in that particular transaction what he has done has been a benefit to Canada. That is the difference between one man and the other. The other man pays no duty but does not do anything for the benefit of Canada. This man manufactures the material in his factory and benefits Canada to the extent of the labour he has employed and the business he has caused to be done. That is the whole story, Mr. Speaker, of the drawbacks and the refunds. There is no favour to anybody in the matter. It is a business transaction, it has been going on for years, and it will be going on for years even when my good friends the Progressives come into power, as I suppose they will one of these days.

Now I do not wish to detain the House any longer, but I ought to say a little on the amendment of my hon. friends the leaders of the Opposition. It was described by the

hon. member for Springfield (Mr. Hoey) as being unworthy of a great party. That may have seemed to be a harsh criticism but really I do not think it was too harsh. The great Conservative party has been capable of great things and it ought not to descend to little things. With respect to the budget, let them, at this time in our history, establish some principle and lay down some policy, and do something more than indulge in mere nagging and scolding. That is all my right hon. friend has done; he scolds the Government. He stresses the policy laid down in the Liberal platform in 1919 and inquires "Is that statement true?" There are some statements in it that are true. "Is this budget to-day rigidly complying with the Liberal platform of 1919?" he inquires. No, nobody ever expected it to do so.

Some hon. MEMBER: Oh, oh.

Mr. FIELDING: I do not believe the Liberal platform of 1919 played any considerable part in the election campaign last winter.

Some hon. MEMBER: Oh, oh.

Mr. FIELDING: I never mentioned it, I never heard it mentioned; it was never discussed in any election in which I took part. I know from reading the press, however, that my Conservative friends referred to it. It was always the tariff they talked about and the Liberal platform of 1919, and they generally talked in that way for two reasons: The first was in order to declare that the Liberals were not living up to that platform; and they pointed to this, that, and the other constituency where they alleged somebody was saying something that was not in harmony with the Liberal platform, and therefore they argued "The Liberal platform is dead and gone." The other reason they referred to it was to enable them to take the stand that if the Liberal platform was adopted the country would be ruined. I do not think the Liberal platform of 1919 had any material result in influencing the election. The election did turn upon the general tariff policy, but I am going to say frankly I do not think that was the reason the people voted so enthusiastically for the Liberal party. I think something else was responsible for their enthusiasm. They made up their minds that whatever was going to happen they were not going to have any more of the Tory government.

My right hon. friend the leader of the Opposition, who was then the Prime Minister, made a tour of Canada. We will all do him the justice to say he worked very hard. He worked very hard and it was greatly to his credit; he travelled

the country from ocean to ocean; he was engaged in addressing meetings morning, noon and night. Everything that he has told us here about the sins of the Liberal party he told on the hustings repeatedly; he repeated it, as I say, morning, noon and night. I do not like to say that the people did not believe him, but what they probably said to themselves was this: "Perhaps these Liberals are no better than they ought to be; perhaps these Progressives are worse, but we will take the chance rather than have the Meighen government again." That seems to be responsible for the whole result, that is the explanation of the whole thing. If we had been hearing something new about this Liberal platform of 1919 I might be able to draw some other inference. But it was not a new story; we had heard it not only in the House but on every hustings in Canada. I will do my right hon. friend the justice of saying that he told the people on every platform in Canada all the things he has been telling us here and they said: "Perhaps it is true but we will take no chances; we will get rid of the Meighen government." That was the upshot of the whole matter.

Now, Mr. Speaker, I desire to call your attention to some proposed amendments in the resolutions of which I have already given notice. What I propose to do is to lay on the Table resolutions in amendment of those tabled on May 23, so that the two may stand separately and by comparing them hon. members may see exactly what is proposed. Then, after the amendments have, in that way, been laid on the Table by way of notice, we will consolidate the two, and in consolidated form the resolutions will be considered in committee. In the meantime I am sure the House will desire to know at the earliest possible moment at least what the most important of these amendments are, and it is for that purpose I will detain hon. members for a few minutes longer.

In the resolutions already tabled there is provision for a tax on confectionery of 5 per cent. The tax remains but we are making a proviso that it shall not apply to "goods packed ready for sale in cartons or other packages bearing the name of the manufacturer, selling by retail at 10 cents or less per carton, nor to include candy known as 'gross goods,' selling by retail at 1 cent." There is a lot of confectionery that is made in molds, and the changing of these molds would be a very troublesome and expensive business. I have reason to believe, therefore, that this modification will go a long way towards removing the objection that was raised.

Sir HENRY DRAYTON: Is that the same modification we had before?

Mr. FIELDING: In the sales tax? I think it is along the same line.

Sir HENRY DRAYTON: It seems to be the same.

Mr. FIELDING: That is right. Of course every interest that is touched feels badly about it. I would not care to say that every interest is going to be completely satisfied. Every interest that is touched feels injured, and comes and complains that it has been particularly singled out when it has not. However, we are doing the best we can to modify cases and meet some of these objections. In levying taxes for revenue there is always a danger that you may shoot too high and miss your mark; that if you put your tax too high you may affect consumption and get less revenue. I rather subscribe to the doctrine that moderate taxation will give more revenue than high taxation. Upon reflection we are going to apply that doctrine to some of these things. Now we have had representations from day to day from numerous large and powerful deputations representing each interest, and we have had oceans of correspondence, and we have had the benefit of a long debate in this House. It would be strange, therefore, if, out of all these things we did not learn something and find ground upon which to make some changes. In view of all these facts we have decided to propose certain changes for your consideration.

I have already mentioned confectionery. We proposed to put a tax of 10 cents a gallon on what are commonly called "soft drinks." Complaint was made that as the resolution read it discriminated against the "bottled goods" and turned business into the hands of the soda fountain man who escaped. What we are proposing here is to take in the soda fountain man, applying to him an ad valorem tax of 5 per cent, and as respects the remainder we reduce the tax from 10 cents to 5 cents per gallon. I think the 5 cent tax in this way will largely meet the objections that are raised. I do not think it will be found necessary to increase the price of the bottle which was selling, say at 5 cents; I think the small tax of 5 cents will probably be absorbed and not reach the consumer. However, that is to be seen in the future. In the case of ale, beer, porter and stout, we had proposed a tax of 15 cents per gallon. We propose that it shall be reduced to 12½ cents. In the case of cigarettes, we proposed an increase of excise from \$6 to \$9 per thousand. We now make it \$7.50 per thousand.

Sir HENRY DRAYTON: The existing tax on cigarettes being how much?

Mr. FIELDING: The excise was \$6. We proposed to make it \$9 and now we are making it \$7.50. We are proposing to add to the exemptions from the sales tax two items, fertilizers and dried beet pulp, the fertilizer being what its name implies and the dried beet pulp being something the farmers will recognize as a cattle food. In the case of the stamp tax, the present tax is 2 cents on all cheques. We had proposed to make it 2 cents per unit of \$50. We still keep that principle of a unit of \$50 with 2 cents on each \$50, but we place a limitation on it. We provide that the graduated tax shall extend up to \$5,000 which would mean a tax of \$2. It has been shown very clearly that very many large transactions, involving apparently a great deal of money, are handled on exceedingly small margins, and if these are subject to the heavy tax first proposed, it would really wipe out the profits, and would work a great hardship. We propose that the maximum tax shall be \$2. The rate will remain 2 cents per unit of \$50. The large proportion of the cheques of the country are \$50 or less, and this will remain as at present at 2 cents. On all cheques above \$50 the graduated tax will apply until we reach \$5,000. That will mean a sum of \$2, and from there on there will be no increase. It will be a \$2 tax on everything above \$5,000. In the case of stock transfers there is a tax of 2 cents per share. We had proposed to make it 5 cents per share. We now propose to make it 3 cents per share, but we will include bonds as well as stocks, so that we think in that way we will probably have a very slight falling off in revenue.

Sir HENRY DRAYTON: Is that per unit of \$100 in the case of the bond?

Mr. FIELDING: The same as stock.

Sir HENRY DRAYTON: A unit of \$100 in the case of a bond?

Mr. FIELDING: Yes; it is 2 cents per share already. Now we make it 3 cents per share. I have not the exact words of the resolution. I think it is intended to make it a unit, but I make the statement with that reservation.

On beet root sugar we proposed an excise tax which would have netted 49 cents per 100 pounds. We propose to make it 24 cents per 100 pounds.

Canadian raw leaf tobacco has a tax now of 5 cents a pound upon it. We did propose to remove that tax, as respects the portion of the raw leaf sold to the Canadian factory,

because when it goes in there and later on comes out, we get the tax on the manufactured article. There remained a tax on that portion which was not to be sold to the factory. It has been represented to us that there is a very large quantity of raw leaf tobacco on hand almost unsaleable, and that where they get sale for it, it does not command more than 6 to 10 cents a pound at the most. It would mean a tax of 5 cents on goods which, in some cases, had to be sold at 7 or 8. Therefore, we have concluded to abolish the tax altogether. We propose to put a tax on receipts. There is an English tax on them now of two pence, I think. We propose in the case of receipts that up to \$10 they shall be exempt, but for every receipt of \$10 or upwards we propose a tax of 2 cents—simply a straight tax. In the case of cigars we had proposed a readjustment of the duty the object of which was to make the tax on the cheaper cigar a little less, on the medium cigar the same as at present, while on the higher priced cigar—the rich man's cigar—the tax would be increased. The duties are somewhat readjusted, as will be seen in the notice, but the substance is the same. The higher priced cigar will pay a little more, the medium cigar will be as at present, and the lower priced cigar will be a little cheaper.

Sir HENRY DRAYTON: That will be a change in the classification. Do you continue the exemption of \$120?

Mr. FIELDING: There will be a readjustment of the figures, but, substantially, it will be what I say. We are not aiming to get more revenue out of it, we are aiming to cheapen the lower priced cigar. That is the essence of the whole movement. To do that the medium priced cigar pays the same, the higher priced cigar a little more and the lower priced cigar a little less. Any change made is to correspond with that.

In regard to automobiles, we had proposed a tax of 5 per cent to be levied on automobiles up to \$1,200 and 10 per cent on the larger and more expensive vehicles. We propose that the 5 per cent shall apply to all automobiles, up to the cost of \$1,200, whether they be small or large, and the 10 per cent will apply to the excess. The small automobile costing \$1,200 will pay 5 per cent. The more expensive will pay 5 per cent up to \$1,200 and 10 per cent on the balance. The figures are the same, but there is a little readjustment in the way they are stated. All bona fide sales of automobiles up to the 23rd May shall be made exempt from taxation. That will apply not only to automobiles owned in Canada, but to the imported automobiles, provided they can prove a bona fide

sale, and that they shall be entered into Canada not later than the 1st July coming.

I think I have mentioned all the important items. There are some minor ones I will not trouble about. Then there is the question of depreciated currency. I have referred to the past history of the matter. The effort of the late government was to obtain a standard of valuation by valuing the mark and determining what value should be put upon it, having regard to various considerations. What we are trying to do is this: We are not thinking of the value of the mark, but we propose to have the value of the article determined by the standard of the English value. If two parcels come into Canada on the same day, one being from England and one from Germany, both of the same character, the value shall be determined by the value of the English article, if articles are made in England of like class. Where the articles are not made in England, and, therefore, you cannot get the English standard of value to serve your purpose, you take the value in a neighbouring country where the currency has no substantial depreciation. We might take Holland or Switzerland, or some of those countries where there is no substantial depreciation. The standard is the English value. Whatever is the English value of the article we will take as the value of the foreign country in any case in which there is a depreciation of currency. We have approached it in a different way from my hon. friends opposite, and, perhaps, we shall accomplish the same purpose.

I think I have spoken of all the important changes. I need not say that the increase in taxes is not a very agreeable thing for any government. I have told more than one friend that by the time I get through the budget I do not expect to have a friend on earth. But I am going to ask the House and the country to regard this budget as an earnest effort to meet a condition which however we may regret it, faces us, and which we must face seriously and courageously. With all the taxes we will get under the new system, we will fall short of the needs of the year, and whoever may stand here a year hence may have to adopt some other means of taxation. But I say that in the budget that we are presenting to the House, we have carried taxation about as far as we think the country can stand it, and though there will be difference of opinion here and there as to the method, we hope that on reflection this budget will recommend itself to the country as an earnest effort to meet conditions which face us, and which, I am sure, we all agree must be faced bravely and courageously.

RESOLUTIONS OF MAY 23RD, AS AMENDED BY RESOLUTIONS OF JUNE 12, 1922

CUSTOMS ACT

1. Resolved, That it is expedient to amend The Customs Act and Amending Acts, including The Department of Customs and Excise Act (chapter twenty-six of the Statutes of 1921), as follows:—

1. By repealing section six of The Department of Customs and Excise Act, being chapter twenty-six of the Statutes of 1921, and amending section thirty-one of the said Customs Act accordingly.

2. By repealing section seven of The Department of Customs and Excise Act aforesaid, and amending section forty of the said Customs Act accordingly.

3. By amending section fifty-nine of the said Customs Act, as follows:—

(1) By striking out subsection three thereof, and substituting therefor the following:—

“(3) Whenever the value of a currency has not been proclaimed, or whenever there is no fixed standard value, or whenever from any cause the value of a currency has become depreciated or appreciated, there shall be attached to the invoice of the goods imported the certificate of some Consul or Canadian Trade Commissioner, resident in such place or country, or the certificate of a bank showing the extent of such depreciation or appreciation, or the true value at the time of the exportation of the goods of the currency in which such invoice is made out, as compared with the standard dollar of Canada: Provided that the Collector of Customs and Excise may compute the value for duty at the rate of exchange certified by the bank through which the same is drawn as current at the time and place when and whence the goods were exported to Canada.”

(2) By amending subsection four of the said section fifty-nine by adding after the word “Consul’s” in the second line thereof the words “or Canadian Trade Commissioner’s.”

(3) By repealing section eight of The Department of Customs and Excise Act aforesaid and amending said section fifty-nine accordingly.

4. Resolved, That any enactment founded on the foregoing resolution shall be deemed to have come into force on the twenty-fourth day of May, one thousand nine hundred and twenty-two, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have also applied to goods previously imported for which no entry for consumption was made before that day.

5. Resolved, That it is expedient to amend section forty of The Customs Act by providing that in the case of importations of goods the manufacture or produce of a foreign country, the currency of which is substantially depreciated, the value for duty shall not be less than the value that would be placed on similar goods manufactured or produced in the United Kingdom and imported from that country, if such similar goods are made or produced there. If similar goods are not made or produced in the United Kingdom, the value for duty shall not be less than the value of similar goods made or produced in any European country the currency of which is not substantially depreciated.

The Minister may determine the value of such goods, and the value so determined shall, until otherwise provided, be the value upon which the duty on such goods shall be computed and levied under regulations prescribed by the Minister.

6. Resolved, That it is expedient to amend the said Act by adding at the end of section one hundred and one thereof the following proviso:—

“Provided, however, that upon the entry outwards of wines and spirituous liquors to be exported from a Customs warehouse either by sea or by land or inland navigation, as the case may be, the person entering the same for such purpose shall give security by bond of an incorporated Guarantee Company authorized to do business in Canada and whose bonds are acceptable to the Dominion Government, such bond to be in form approved by the Minister, in double the duties of importation on such goods, that the same shall, when the entry aforesaid is for exportation by sea, be actually exported to the place provided for in said entry, and when the entry aforesaid is for exportation by land or inland navigation, shall be landed and delivered at the place for which they are entered outwards, unless in either case the said goods were after leaving Canada lost and destroyed, and that such proof or certificate that such goods have been so exported, landed or delivered, or lost and destroyed, as the case may be, as shall be required by any regulation of the Minister, shall be produced to the Collector or other proper officer within a period to be appointed in such bond. This proviso, however, shall not apply to wines and spirituous liquors in a Canadian port, without entry thereat for warehouse and for no other purpose than their transportation *in transitu* on a through bill of lading, from a port outside of Canada to another port of destination outside of Canada via a Canadian port or ports.”

7. Resolved, That it is expedient to amend section one hundred and two of the said Act by inserting the words “or in such bond” between the word “exportation” and the word “there” in the second line thereof, and by adding at the end of the said section the words “and if security by bond is given, the said bond may be cancelled.”

CUSTOMS TARIFF

1. Resolved, That The Customs Tariff, 1907, be amended by repealing Section 12A, added thereto by Section 5 of The Customs Tariff Amendment Act, 1921, and by inserting in place thereof the following Section:—

12A. The Governor in Council may from time to time as he deems it expedient, order that goods of any description or class specified in such order, imported into Canada, shall be marked, stamped, branded or labelled in legible English or French words, in a conspicuous place that shall not be covered or obscured by any subsequent attachments or arrangements, so as to indicate the country of origin. Said marking, stamping, branding, or labelling shall be as nearly indelible and permanent as the nature of the goods will permit.

All orders made by the Governor in Council under this Section shall have effect from and after the day on which the same are published in The *Canada Gazette*, or from and after such later day as

is appointed for the purpose in such orders, and during such time as is therein expressed, or if no time is expressed for that purpose, then until the same are revoked or altered.

Provided that all such goods imported into Canada after the date of the coming into force of any such order of the Governor in Council which do not comply with the requirements of such order, shall be subject to an additional duty of ten per centum ad valorem to be levied on the value for duty purposes, and in addition such goods shall not be released from Customs possession until they have been so marked, stamped, branded or labelled under Customs supervision at the expense of the importer.

Provided further that if any person shall violate any of the provisions so established relating to the marking, stamping, branding or labelling of any such imported goods, or shall deface, destroy, remove, alter, or obliterate any such marks, stamps, brands or labels, with intent to conceal the information given by or contained in such marks, stamps, brands or labels, he shall be liable on summary conviction to a penalty not exceeding one thousand dollars, or to imprisonment not exceeding one year, or to both fine and imprisonment.

The Minister of Customs and Excise may make such regulations as are deemed necessary for carrying out the provisions of this Section and for the enforcement thereof.

2. Resolved, That schedule A to The Customs Tariff, 1907, as amended by Chapter twenty-six of the Statutes of 1914, by Chapter five of the Statutes of 1914 (second session), by Chapter seventeen of the Statutes of 1918, by Chapter forty-seven of the Statutes of 1919, by Chapter twenty-seven of the Statutes of 1921, and by Orders in Council, be further amended by striking thereout tariff items:—20, 21, 22, 23, 134, 143, 208, 219a, 220, 326, 398, 399, 427, 445, 446, 446b, 447, 448, 517, 520, 521, 522, 523, 565, 566, 567, 568, 575, 591, 611, 611a, 612, 619, 621, 631, 638a, 657a, 660, 682, 705a, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of said items, and to repeal section (b) of the Orders in Council, P.C. 2654, dated twenty-seventh day of November, 1907, designated as item 715 of The Customs Tariff, section 2 (b) of Orders in Council, P.C. 16/1556, dated fifth day of June, 1912, designated as item 762 of The Customs Tariff, P.C. 224 and P.C. 2/233, dated thirtieth day of January, 1919, and P.C. 383, dated twentieth day of February, 1919, and to provide that the following items, enumerations and rates of duty be inserted in schedule A:—

Tariff Items	—	British Preferential Tariff	Inter- mediate Tariff	General Tariff
20	Cocoa paste or "liquor" and chocolate paste or "liquor", not sweetened, in blocks or cakes, per pound.....	3 cents	4 cents	5 cents
21	Cocoa paste or "liquor" and chocolate paste or "liquor", sweetened, in blocks or cakes, not less than two pounds in weight, per pound.....	4 cents	4½ cents	5½ cents
22	Preparations of cocoa or chocolate in powder form.....	22½ p.c.	27½ p.c.	35 p.c.

Tariff Items		British Preferential Tariff	Inter-mediate Tariff	General Tariff
197a	Super-calendered or machine finish grades of book paper, not coated, when used exclusively in the production of magazines, newspapers and periodicals printed, published or issued regularly, under regulations prescribed by the Minister of Customs and Excise.....	12½ p.c.	22½ p.c.	25 p.c.
198a	Coated papers, when used exclusively in the production of magazines, newspapers and periodicals printed, published and issued regularly, under regulations prescribed by the Minister of Customs and Excise.....	17½ p.c.	32½ p.c.	35 p.c.
199a	Paper milk bottle caps, printed or not.	15 p.c.	25 p.c.	27½ p.c.
208	Boracic acid and borax in packages of not less than twenty-five pounds weight; hydro-fluosilicic acid; oxalic acid; tannic acid; ammonia, sulphate of; sal ammoniac and nitrate of ammonia; cyanide of potassium; cyanide of sodium and cyanogen bromide; antimony salts, viz.:—tartar emetic, chlorine and lactate (antimonine); arsenous oxide; oxide of cobalt; oxide of tin; bichloride of tin; tin crystals; oxide of copper; precipitate of copper, crude; sulphate of copper (blue vitriol); verdigris or subacetate of copper, dry; sulphate of iron (copperas); sulphate of zinc; chloride of zinc; sulphur and brimstone, crude or in roll or flour; cream of tartar, in crystals or argols; tartaric acid crystals; iodine, crude; bromine; phosphorus; sulphide of arsenic; carbon bisulphide.....	Free	Free	Free
210c	Caustic soda in solution.....	15 p.c.	17½ p.c.	17½ p.c.
219a	Non-alcoholic liquid preparations for disinfecting, dipping or spraying, n.o.p.....	10 p.c.	15 p.c.	20 p.c.
220	All medicinal, chemical and pharmaceutical preparations, compounded of more than one substance, including patent and proprietary preparations, tinctures, pills, powders, troches, lozenges, syrups, cordials, bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters, essences and oils, n.o.p.:—			
	(a) When dry.....	20 p.c.	25 p.c.	25 p.c.
	(b) Liquid, when containing not more than two and one-half per centum of proof spirit.....	25 p.c.	40 p.c.	40 p.c.
	(c) All other.....	60 p.c.	60 p.c.	60 p.c.
	Provided that drugs, pill-mass and preparations, not including pills or medicinal plasters, recognized by the British or the United States pharmacopoeia, or the French Codex as officinal, shall not be held to be covered by this item;			

Tariff Items		British Preferential Tariff	Intermediate Tariff	General Tariff
	Provided, also, that any article in this item, containing more than forty per cent of proof spirit shall be rated for duty at.....per gallon and	\$3.00 30 p.c.	\$3.00 30 p.c.	\$3.00 30 p.c.
236a	Paper refills for sputum cups; paper pocket sputum cups.....	12½ p.c.	17½ p.c.	20 p.c.
272a	Gasoline .725 specific gravity and heavier, but not heavier than .770 specific gravity at 60 degrees temperature; oils, coal and kerosene, distilled, known as "engine distillate" .725 specific gravity and heavier, but not heavier than .770 specific gravity at 60 degrees temperature per gallon..	½ cent	¾ cent	1 cent
326	Glass demijohns or carboys, bottles, n.o.p., decanters, flasks, phials, glass jars and glass balls, lamp chimneys, glass shades or globes; cut, pressed, moulded or crystal glass tableware, decorated or not; blown glass tableware and other cut glass ware.....	20 p.c.	30 p.c.	32½ p.c.
326b	Glass milk bottles.....	15 p.c.	25 p.c.	27½ p.c.
344a	Dairy tin hollow-ware, including cans for fresh milk or fresh cream; kitchen tin hollow-ware, not painted, decorated or japanned.....	12½ p.c.	17½ p.c.	20 p.c.
399	Wrought or seamless iron or steel tubing, plain or galvanized, threaded and coupled or not, ten inches or less in diameter, n.o.p.....	15 p.c.	27½ p.c.	30 p.c.
427	Agate, granite or enamelled iron or steel ware.....	20 p.c.	27½ p.c.	35 p.c.
445	Mowing machines, harvesters, self-binding or without binders, binding attachments, reapers, and complete parts thereof, not including shafting or malleable iron castings.....	7½ p.c.	10 p.c.	10 p.c.
446	Cultivators, harrows, horse-rakes, seed-drills, manure spreaders and weeders and complete parts thereof..	10 p.c.	12½ p.c.	12½ p.c.
446b	Ploughs and complete parts thereof....	10 p.c.	15 p.c.	15 p.c.
447	Portable engines with boilers, in combination, horse-powers and traction engines for farm purposes, n.o.p., and complete parts thereof.....	12½ p.c.	17½ p.c.	17½ p.c.
447a	Gas or gasoline traction engines for farm purposes, valued at not more than fourteen hundred dollars each, and parts thereof for repairs; traction attachments designed and imported to be combined with automobiles in Canada for use as traction engines for farm purposes and parts thereof for repairs.....	Free	Free	Free
447b	Wind-stackers, and threshing machine separators, including baggers, weighers and self-feeders therefor, and complete parts thereof.....	10 p.c.	15 p.c.	15 p.c.

Tariff Items		British Preferential Tariff	Inter- mediate Tariff	General Tariff
448	Fruit or vegetable grading machines, incubators for hatching eggs, brooders for rearing young fowl, pruning, hooks, pruning shears, hay loaders, potato-diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm or field rollers, post hole diggers, snaths, and other agricultural implements, n.o.p., and complete parts of articles specified in this tariff item.....	10 p.c.	15 p.c.	15 p.c.
448a	Milking machines, milking machine attachments, centrifugal machines for testing butter fat, milk or cream and complete parts of articles specified in this item.....	10 p.c.	15 p.c.	15 p.c.
448b	Street or road rollers and complete parts thereof.....	12½ p.c.	20 p.c.	20 p.c.
453b	Machinery for sawing lumber, up to but not including the point of planing, and complete parts thereof, not to include motive power.....	15 p.c.	22½ p.c.	25 p.c.
454a	Adzes, cleavers, hatchets, metal wedges, sledges, hammers, crowbars, cantdogs and track tools, picks, mat-hooks, and eyes or poles for the same; tools of all kinds, n.o.p.....	15 p.c.	27½ p.c.	30 p.c.
460a	Plungers or valves made of porcelain for pumps to be used exclusively in mining operations.....	Free	Free	Free
517	Window shade or blind rollers.....	20 p.c.	30 p.c.	35 p.c.
520	Batts, batting and sheet wadding of wool, cotton or other fibre, cotton warps and cotton yarns, dyed or not, n.o.p.....	15 p.c.	22½ p.c.	25 p.c.
521	Grey cotton fabrics and fabrics of flax, unbleached, n.o.p.....	12½ p.c.	22½ p.c.	25 p.c.
522	White cotton fabrics, and fabrics of flax, bleached, n.o.p.; tailors' hollandes of linen and towelling of linen or cotton in the web, coloured or not....	15 p.c.	22½ p.c.	25 p.c.
523	Fabrics of cotton or flax, printed, dyed or coloured, n.o.p.....	22½ p.c.	30 p.c.	32½ p.c.
543a	Linen yarn, when imported by manufacturers of tailors' hollandes of linen, for use exclusively in the manufacture of tailors' hollandes of linen in their own factories.....	Free	Free	Free
565	Blankets of any material.....	22½ p.c.	30 p.c.	35 p.c.
566	Flannels, plain, not fancy; fabrics of wool or of cotton and wool, commonly described and sold as lustres, mohair, alpaca and Italian linings....	20 p.c.	30 p.c.	35 p.c.
567	Fabrics, manufactures, wearing apparel and ready-made clothing composed wholly or in part of wool, worsted, the hair of the goat, or other like animal, n.o.p.; cloths, doeskins, cassimeres, tweeds, coatings, over-coatings and felt cloth, n.o.p.....	27½ p.c.	35 p.c.	35 p.c.

Tariff Items		British Preferential Tariff	Inter- mediate Tariff	General Tariff
568	Knitted undershirts, knitted drawers and knitted goods, n.o.p.....	20 p.c.	30 p.c.	35 p.c.
575	Embroideries, n.o.p.; lace, n.o.p.; braids, n.o.p.; tapes of cotton or linen not over one and one-quarter inches in width, not including measuring tape lines; fringes, n.o.p.; cords; elastic, round or flat; garter elastic, tassels; handkerchiefs of all kinds, lace collars and all manufactures of lace; nets and nettings of cotton, linen, silk and other material, n.o.p.; shams and curtains, when made up, trimmed or untrimmed.....	25 p.c.	32½ p.c.	35 p.c.
575a	Corsets of all kinds; linen or cotton clothing, n.o.p.....	22½ p.c.	32½ p.c.	35 p.c.
575b	Oiled clothing and oiled hats made from cotton or linen.....	20 p.c.	30 p.c.	30 p.c.
581a	Silk cloth woven in the gum, not boiled or bleached, measuring not less than twenty inches in width, when imported for the purpose or being dyed and finished in Canada, under regulations prescribed by the Minister of Customs and Excise.....	10 p.c.	17½ p.c.	30 p.c.
590a	Aeroplanes and other aircraft and complete parts thereof, under regulations prescribed by the Minister of Customs and Excise..... And on and after July 1, 1923	Free 15 p.c.	25 p.c. 25 p.c.	27½ p.c. 27½ p.c.
591	Farm wagons and complete parts thereof	10 p.c.	15 p.c.	17½ p.c.
611	Boots and shoes, pegged or wire fastened, with unstitched soles close edged.....	15 p.c.	22½ p.c.	25 p.c.
611a	Boots, shoes, slippers and insoles of any material, n.o.p.....	17½ p.c.	27½ p.c.	30 p.c.
612	Harness and saddlery, including horse boots.....	17½ p.c.	27½ p.c.	30 p.c.
619	India-rubber clothing and clothing made water-proof with india-rubber; rubber or gutta percha hose, and cotton or linen hose lined with rubber; rubber mats or matting and rubber packing.....	20 p.c.	30 p.c.	35 p.c.
621	Window shade cloth in the piece; window shades, cut to size or hemmed or mounted on rollers, n.o.p....	20 p.c.	30 p.c.	35 p.c.
631	Collars and cuffs, of cotton, linen, xylonite, xyolite or celluloid.....	20 p.c.	35 p.c.	37½ p.c.
638a	Hatters' bands (not cords) and hat sweats; hatters' tips and sides when cut to shape; and cashmere when cut to shape for underbrims and hat covers. All articles in this item when imported by hat and cap manufacturers for use exclusively in the manufacture of hats and caps in their own factories....	Free.	Free.	Free.

Tariff Items		British Preferential Tariff	Inter- mediate Tariff	General Tariff
657a	Cinematograph or moving picture films, positives, one and one-eighth of an inch in width and over,			
	per linear foot	1½ cents	3 cents	3 cents
657b	Special parts, in the rough, when imported by manufacturers of cameras, for use only in the manufacture of cameras.....	5 p.c.	7½ p.c.	7½ p.c.
660	Clothes wringers for domestic use, and parts thereof.....	20 p.c.	30 p.c.	32½ p.c.
682	Fish hooks, for deep-sea or lake fishing, not smaller in size than number 2-0; bank, cod, pollock and mackerel fish lines; and mackerel, herring, salmon, seal, seine, mullet, net and trawl twine in hanks or coil, barked or not,—in variety of sizes and threads,—including gilling thread in balls, and head ropes for fishing nets; barked marline, and net morsels of cotton, hemp, or flax; and fishing nets or seines, and manila rope, not exceeding one and one-half inches in circumference, when used exclusively for the fisheries, not to include hooks, lines, nets or rope commonly used for sportsmen's purposes.....	Free	Free	Free
705a	Settlers' effects, viz.:—Machines, vehicles and implements for agricultural purposes, moved by mechanical power, and motor vehicles, valued at not more than one thousand dollars, and boats for fishing purposes if actually owned abroad by the settler for at least six months before his removal to Canada, and subject to regulations prescribed by the Minister of Customs and Excise. Provided that the said machines, vehicles, implements and boats may not be so entered unless brought by the settler on his first arrival, and shall not be sold or otherwise disposed of without payment of duty until after twelve months' actual use in Canada.....	Free	Free	Free

3. Resolved, That schedule B to The Customs Tariff, 1907, as amended by Chapter forty-seven of the Statutes of 1919, be amended by striking thereout tariff item 1026, the enumeration of goods, and the rate of drawback of customs duties set opposite to the said item, and to provide that the following items, enumerations and rates of drawback of customs duties be inserted in said schedule B:—

Item No.	Goods	When subject to drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1026	Materials, including all parts not finished.	When used in the manufacture of goods enumerated in tariff items 446, 446b, 447b 448 and 448a.....	40 p.c.
1027	Materials, including all parts not finished.	When used in the manufacture of goods enumerated in tariff items 447, 448b, and 591.....	30 p.c.
1028	Materials, including all parts.	When used in the manufacture of goods enumerated in tariff item 447a.....	99 p.c.
1029	Hatters' plush of silk or cotton; and hatters' bindings.	When imported by hat and cap manufacturers and used in the manufacture of hats and caps in their own factories.....	99 p.c.
1030	Materials.....	When used in the manufacture of surgical trusses, suspensory bandages and elastic hosiery..	50 p.c.

4. Resolved, That schedule C (prohibited goods) to The Customs Tariff, 1907, shall be amended by adding the following:—

- 1214 (a) Common mongoose (*Herpestes griseus*) or mongoose of any kind;
- (b) Common Mynah, Chinese Mynah, Crested Mynah, or any other species of the Starling family (*Sturnidæ*);
- (c) Java sparrow, rice bird, nutmeg finch, or other species of the weaver bird family (*Ploceidæ*);
- (d) European Chaffinch (*Fringilla coelebs*);
- (e) Great titmouse (*Parus major*).

5. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the twenty-fourth day of May, one thousand nine hundred and twenty-two, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that day, and to have also applied to goods previously imported for which no entry for consumption was made before that day.

INLAND REVENUE ACT

1. Resolved, That it is expedient to amend The Inland Revenue Act, as amended by chapter six of the Statutes of 1914, and chapter twenty-eight of the Statutes of 1913 by repealing subsections (e), (f),

(g) and (h) of section two hundred and seventy-nine thereof and substituting therefor the following:—

279 (e) On cigars of all descriptions, made from raw leaf tobacco, three dollars per thousand;

(f) On all cigars when put up in packages containing less than ten cigars each, four dollars per thousand;

(g) On cigarettes made from raw leaf tobacco or any substitute therefor, weighing not more than three pounds per thousand, seven dollars and fifty cents per thousand;

(h) On cigarettes made from raw leaf tobacco or any substitute therefor, weighing more than three pounds per thousand, twelve dollars and fifty cents per thousand;

2. Resolved, That it is expedient to amend The Inland Revenue Act by striking out of the said Act section three hundred and twenty-eight A, as enacted by chapter twenty-eight of the Statutes of 1918, and by striking out of said Act section three hundred and twenty-eight B, as enacted by chapter fifty-two of the Statutes of 1920.

3. Resolved, That any enactment founded on the preceding resolutions shall be deemed to have come into force on the twenty-fourth day of May, one thousand nine hundred and twenty-two.

4. Resolved, That it is expedient to amend The Inland Revenue Act as amended by chapter six of the Statutes of 1914 and chapter thirty-four of the Statutes of 1921, and to provide:—

That when any druggist is licensed by the Minister of Customs and Excise to prepare prescriptions for medicines and pharmaceutical preparations in the manufacture or preparation of which spirits are used, where such spirits are purchased for such purposes by a druggist so licensed the following duties of excise shall be imposed, levied and collected, that is to say:—

On spirits testing not less than fifty per centum over proof in such limited quantities as may be prescribed by the Minister of Customs and Excise—

(a) When the material used in the manufacture thereof consists of not less than ninety per centum, by weight of raw or unmalted grain, or when manufactured from sugar, syrup, molasses or other saccharine matter not otherwise provided for, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty cents and so in proportion for any greater strength than the strength of proof, and for any less quantity than a gallon;

(b) When manufactured exclusively from malted barley, taken to the distillery in bond and on which no duty of customs or excise has been paid, or when manufactured from raw or unmalted grain, used in combination, in such proportions as the Department prescribes, with malted barley taken to the distillery in bond and on which no duty of customs or of excise has been paid, on every gallon of the strength of proof by Sykes' hydrometer, two dollars and forty-two cents, and so in proportion for any greater strength than the strength of proof and for any less quantity than a gallon;

(c) When manufactured exclusively from molasses, syrup, sugar or other saccharine matter, taken to the distillery in bond and on which no duty of customs has been paid, on every gallon of the

strength of proof by Sykes' hydrometer, two dollars and forty-three cents, and so in proportion for any greater strength than the strength of proof and for any less quantity than a gallon.

(d) Where such spirits are purchased from a Government vendor or other person lawfully authorized to sell the same and where the duties imposed by law have been paid thereon, the said druggist may be entitled to a drawback of all such duty in excess of the rates of duties set forth in this resolution.

5. Resolved, That it is expedient to provide that no person shall receive spirits under the preceding section without a license of the Minister of Customs and Excise, that there shall be payable for such license a fee of two dollars per annum and that a license shall not continue beyond the end of a fiscal year unless renewed; and to provide that a licensee shall jointly with a guaranty company approved by the Department enter into a bond to His Majesty in the sum of one thousand dollars which bond shall be conditioned that the licensee shall use all spirits specified in these resolutions exclusively in the preparation of prescriptions and pharmaceutical preparations on his own premises and that he shall keep books and accounts and make such entries and returns as are called for by the regulations of the Department and to faithfully comply with all the requirements of such regulations; and to provide that a person who violates any of the provisions of these resolutions or of any regulations of the Department made thereunder shall incur a penalty not exceeding two hundred dollars recoverable in the manner prescribed for recovery of penalties in the Inland Revenue Act and that in addition he may incur other penalties under the provisions of the said Act; and also that if a licensee is convicted for any violation of these resolutions his license shall be cancelled and shall not be renewed within a period of two years from the date of conviction; and to provide that the Minister of Customs and Excise may make such regulations as are deemed necessary for carrying out the provisions of these resolutions.

6. Resolved, That any enactment founded on the preceding resolutions numbered four and five shall come into force on the first day of July, one thousand nine hundred and twenty-two.

7. Resolved, That it is expedient to amend The Inland Revenue Act, chapter fifty-one of the Revised Statutes, 1906, as amended by chapter six of the Statutes of 1914, and chapter thirty-four of the Statutes of 1921, by adding the following:—

There shall be imposed, levied and collected on all sugar produced in Canada from sugar beets, the following duties of excise:—

Sugar, sugar drainings, melado, sugar concrete and molasses testing over fifty-six degrees and not exceeding seventy-five degrees of polarization, per one hundred pounds. 12 cents,
and for each additional degree over seventy-five degrees, per hundred pounds. $\frac{1}{2}$ cent.

Provided that fractions of five-tenths of a degree or less shall not be subject to the duty and that fractions of more than five-tenths shall be subject to the duty as a degree. Provided that such duty of excise shall not be payable when such sugar is exported.

8. Resolved, That it is expedient to provide that no person shall produce sugar in Canada from sugar beets without a license and that a fee of two dollars per annum be paid for such license and to further provide that all the provisions of Part II of The Inland Revenue Act respecting licenses and the obligations of persons holding them, the keeping of books or accounts, the payment of duties and making returns and the general regulations as to bonding and warehousing, so far as applied by departmental regulations, and all provisions respecting penalties, so far as applicable, shall have full force and effect with respect to the manufacture of sugar made from sugar beets.

9. Resolved, That any enactment founded on the preceding resolutions numbered seven and eight shall be deemed to have come into force on the first day of January, one thousand nine hundred and twenty-three.

SPECIAL WAR REVENUE ACT

1. Resolved, That it is expedient to amend The Special War Revenue Act, 1915, as amended by chapter forty-six of the Statutes of 1918, chapter seventy-one of the Statutes of 1920, and chapter fifty of the Statutes of 1921, and to provide:—

1. That subsection two of section five of the said Act be amended by removing purely mutual companies from the class of companies exempt from the tax imposed by said subsection, and by adding to said section five the following subsections:—

“(11) Every person resident in Canada, who insures his property situate in Canada, or any property situate in Canada in which he has an insurable interest, with any British or foreign company or British or foreign underwriter or underwriters, not licensed under the provisions of the Insurance Act, 1917, to transact business in Canada, or with any association of persons formed for the purpose of exchanging reciprocal contracts of indemnity upon the plan known as inter-insurance and not licensed under the provisions of the Insurance Act, 1917, the chief place of business of which association or of its principal attorney-in-fact is situate outside of Canada, shall on or before the thirty-first day of December in each year pay to the Minister for the Consolidated Revenue Fund, in addition to any other tax payable under any existing law or statute, a tax of five per centum of the total net cost to such person of all such insurance for the preceding calendar year, and for the purposes of this section every corporation carrying on business in Canada shall be deemed to be a person resident in Canada.

“(12) Every person to whom this section applies shall on or before the thirty-first day of December in each year make a return in writing to the Superintendent of Insurance stating the names of the companies, societies of underwriters or associations with whom the insurance was effected by him or on his behalf, the amount of such insurance and the net cost thereof in each case.

“(13) Every person who fails or neglects to make such return or pay to the Minister within the time limited by subsection (11) hereof the tax hereby imposed, shall incur a penalty of fifty dollars for each and every day during which such default continues.”

2. Resolved, That subsections two and three of section eight of the said Act be amended by providing that the tax imposed on cable companies and telegraph companies shall be increased from a sum equal to one cent upon each despatch or message therein mentioned to a sum equal to three cents upon each such despatch or message; and that every company may charge the three cents to and collect the same from the person paying or liable to pay the regular charges for the transmission of the despatch or message, and that any enactment founded on this paragraph shall come into force on the first day of July, one thousand nine hundred and twenty-two.

3. Resolved, That it is expedient to amend section 12 of the said Act by striking thereout subsections two and four and substituting the following:—

(2) No person shall issue a cheque payable at or by a bank unless there is affixed thereto an adhesive stamp or unless there is impressed thereon by means of a die a stamp of the value of, if the amount of money for which the cheque is issued

- (i) does not exceed \$50.. . . .two cents
- (ii) exceeds \$50, for every \$50 or fraction thereoftwo cents
but not to exceed in any case.two dollars,

and every adhesive stamp affixed to a cheque shall be cancelled by the bank at which the cheque is payable at or before the time of payment.

“(4) No person shall sign a receipt for money paid to him by a bank chargeable against a deposit of money in the bank to his credit until he has affixed to the receipt an adhesive stamp or unless there is impressed thereon by means of a die a stamp of the value of, if the amount of the money for which the receipt is signed

- (i) does not exceed \$50.. . . .two cents
- (ii) exceeds \$50, for every \$50 or fraction thereof.two cents
but not to exceed in any case . .two dollars,

and every adhesive stamp affixed to such receipt shall be cancelled by the bank at the time the money is paid.”

4. Resolved, That it is expedient to amend section 12 of the said Act by striking thereout paragraph (b) of subsection 3 as enacted by chapter seventy-one of the Statutes of 1920, and substituting the following:—

“(b) If a bill of exchange transferred or delivered to a bank or issued by a bank is payable on demand, or at sight, or on presentation, or within three days after date or sight,

such bill shall, for the purpose of the value of the stamp to be affixed thereto or impressed thereon, be deemed to be drawn for an amount not exceeding five thousand dollars."

5. Resolved, That it is expedient to amend section 12 of the said Act by providing that wherever subsections 3 (a), 3 (c), 3 (d) and 3 (f) of said section 12, as enacted by chapter seventy-one of the Statutes of 1920, provide for payment of a tax at the rate of two cents for every one hundred dollars, the said subsections be amended to provide that the tax shall be at the rate of two cents for every fifty dollars of the bills, notes, advances or overdrafts therein mentioned.

6. Resolved, That it is expedient to amend section 12 of the said Act by striking thereout subsection 13, as enacted by chapter seventy-one of the Statutes of 1920, and substituting the following:—

"(13) No person shall sell or transfer the stock or shares of any association, company or corporation, or any bond, other than a bond of the Dominion of Canada issued exempt from any taxes imposed in pursuance of any legislation enacted by the Parliament of Canada or subject to any agreement specifying the amount of fee to be paid on transfer thereof, by agreement for sale, entry on the books of the association, company or corporation, by delivery of share certificates or share warrants or bond endorsed in blank or bond payable to bearer, or in any other manner whatsoever, or accept the transfer or delivery of any stock, share or bond unless in respect of such sale or transfer there is affixed to or impressed upon such stock, shares or bond, or a document showing the transfer or agreement to transfer thereof, an adhesive stamp, or a stamp impressed thereon by means of a die, of the value of three cents for every one hundred dollars or fraction thereof of the par value of the stock, shares or bond sold or transferred. Provided that in case of sale where the evidence of transfer is shown only by the books of the Company the stamp shall be placed or impressed upon such books; and where the change of ownership is by transfer of the certificate or bond the stamp shall be placed or impressed upon the certificate or bond; and in case of an agreement to sell or where the transfer is by delivery of the certificate or bond assigned in blank or bond payable to bearer there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed or impressed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers, provided that the first delivery by a corporation or company of such shares or debenture stock, in order to effect an issue, or the first issue of a bond, shall not be subject to the tax proposed by this resolution; and to provide that any person who violates any of the provisions proposed by this resolution shall be liable to a penalty not exceeding five hundred dollars and that any enactment founded on this resolution shall come into force on the first day of July, one thousand nine hundred and twenty-two."

7. Resolved, That it is expedient to amend section 13 of the said Act by striking thereout subsections 2 and 3 and substituting the following:—

“(2) Every express company carrying on business in Canada shall before the issue of a money order or traveller’s cheque affix thereto an adhesive stamp of the value of, if the amount of money for which the money order or traveller’s cheque is issued

- (i) does not exceed \$50.two cents
- (ii) exceeds \$50, for every \$50 or fraction thereof.two cents
- but not to exceed in any case. .two dollars,

and the company may charge the amount of the stamps so affixed to and collect the same from the purchaser of the order or cheque or from the payee thereof. The company shall before delivery of the order or cheque cancel the stamp by writing on or across the stamp initials or other identification of the company together with the date of the issue of the order or cheque.”

“(3) No money order shall be issued under the provisions of the Post Office Act until there is affixed thereto or to the relative advice a postage stamp of the value of, if the amount of money for which the money order is issued

- (i) does not exceed \$50.two cents
- (ii) exceeds \$50, for every \$50 or fraction thereof.two cents
- but not to exceed in any case. .two dollars,

to be paid for by the purchaser of the order. The postmaster or other officer of the Post Office Department issuing the order shall cancel the stamp by impressing thereon when affixed the date stamp of the post office at which the order is issued.”

“Any enactment founded on paragraphs three, four, five, six and seven of these resolutions shall come into force on the first day of August, one thousand nine hundred and twenty-two.”

8. Resolved, That it is expedient to amend the said Act by providing that no person shall give a receipt unless there is affixed thereto an adhesive stamp or unless there is impressed thereon by means of a die a stamp of the value of two cents, which is to be cancelled by the person by whom the receipt is given before he delivers it out of his hands; that the expression “receipt” shall mean any note, momerandum or writing whereby any money amounting to \$10 or upwards, or any bill of exchange or promissory note for money amounting to \$10 or upwards is acknowledged or expressed to have been received, deposited or repaid or whereby any debt or demand or any part of a debt or demand of the amount of \$10 or upwards is acknowledged to have been settled, satisfied or discharged or which signifies or imports any such acknowledgment and whether the same is or is not signed with the name of any person; and to provide that any person who violates any of the provisions of any enactment founded on this resolution or who refuses to give a receipt

duly stamped, shall be liable to a penalty not exceeding \$100; and to provide for certain exemptions from the foregoing; and to provide that any enactment founded on this resolution shall come into force on the first day of January, one thousand nine hundred and twenty-three.

9. Resolved, That subsection one of section sixteen A of the said Act as enacted by chapter forty-six of the Statutes of 1918, be amended by adding thereto the following:

Provided that when matches are put up in packages containing not more than sixty and not less than thirty matches each, the tax shall be payable at the rate of one-half of one cent for each package, and when matches are put up in packages containing less than thirty matches each, the tax shall be payable at the rate of one-fourth of one cent per package.

10. Resolved, That section nineteen A of the said Act as enacted by chapter forty-six of the Statutes of 1918 be amended by adding thereto the following:

Provided that in computing the "duty paid value" of tea purchased in bond in the United Kingdom the amount of the customs duty payable on tea for consumption in the United Kingdom shall not be included in the value of such tea for purposes of this Act.

11. Resolved, That Order in Council 2031, dated the thirteenth day of June, 1921, shall cease to have force or effect and that subsection one of section nineteen BBB of the said Act as enacted by chapter fifty of the Statutes of 1921, be struck out and the following substituted therefor:

(1) In addition to any duty or tax that may be payable under this section, or any other statute or law, there shall be imposed, levied and collected an excise tax of two and one-quarter per cent on sales and deliveries by Canadian manufacturers or producers, and wholesalers or jobbers, and a tax of three and three quarters per cent on the duty paid value of goods imported, but in respect of sales by manufacturers or producers to retailers or consumers the excise tax payable shall be four and one-half per cent and on goods imported by retailers or consumers the excise tax payable shall be six per cent on the duty paid value.

Provided that in respect of lumber an excise tax of three per cent shall be imposed, levied and collected on sales and deliveries by the Canadian manufacturer and of four and one-half per cent on importations, and that no further excise tax shall be payable on re-sale.

Provided also that the taxes specified in this section shall not apply to sales or importations of:—

Bread; flour, including self-raising flour, oatmeal, rolled oats and cornmeal; rolled wheat, buckwheat meal and pea meal; animals living; live poultry; meats and poultry, fresh; milk, including butter-milk, condensed milk, evaporated milk and powdered milk; cream; butter; cheese; oleomargarine, margarine, butterine or other substitutes for butter; lard, lard compound and similar substances, made from animal or vegetable stearine or oils; eggs; vegetables, fruits, grains and seed in their natural state; bran, shorts, middlings, alfalfa meal; oil cake, oil cake meal; grains mixed or crushed for cattle or poul-

try feed; hay; straw; hops; nursery stock; chicory, raw or green; bees; honey; sugar; molasses; salt; other farm produce sold by the individual farmer of his own production; ice; fish and products thereof not canned or medicated; ores of metals of all kinds; fuel of all kinds; gold and silver in ingots, blocks, bars, drops, sheets or plates unmanufactured; British and Canadian coin and foreign gold coin; logs and round unmanufactured timber; fence posts, railroad ties, pulpwood, tan bark, and other articles the product of the forest when produced and sold by the individual settler or farmer; newspapers and quarterly, monthly and semi-monthly magazines and weekly literary papers unbound; materials for use only in the construction, equipment and repair of ships; ships licensed to engage in the Canadian coasting trade; calcium carbide; radium; electricity; gas manufactured from coal, calcium carbide or oil for illuminating or heating purposes; materials for use solely in the manufacture of oleomargarine or any substitute for butter or lard; artificial limbs and parts thereof; artificial eyes; donations of clothing and books for charitable purposes; settlers' effects; War Veterans' badges; memorials or monuments erected in memory of soldiers who fell in the Great War; articles imported for the use of the Governor General; articles imported for the personal or official use of Consuls General who are natives or citizens of the country they represent and who are not engaged in any other business or profession; bibles, missals, prayer-books, psalm and hymn-books, religious tracts, and Sunday school lesson pictures; articles admitted to free entry under Customs Tariff item 682; manila fibre for use only in the manufacture of rope not exceeding one and one-half inches in circumference for the fisheries; boats bona fide purchased by individual fishermen for their own personal use in the fisheries; articles and materials used in the manufacture of boats bona fide built for individual fishermen for their own personal use in the fisheries; fibre for use only in the manufacture of binder twine; job printed matter produced and sold by printers or firms, whose sales of job printing do not exceed ten thousand dollars per annum; fertilizers; dried beet pulp, and the Governor in Council shall have power to add to the foregoing list of articles exempted from the excise tax on sales as he may deem it expedient or necessary to exempt from the said excise taxes.

Provided further that the excise taxes specified in this section shall not be payable on goods exported, or on sales of goods made to the order of each individual customer by a business which sells exclusively by retail; and provided that the tax as specified in this section shall be payable on sales of goods manufactured for stock by merchants who sell exclusively by retail.

A drawback may be granted of ninety-nine per cent of the said taxes paid on materials used, wrought into or attached to articles exported, provided that payment of a specific sum in lieu of such drawback may be authorized by the Governor in Council in cases where specific rates of drawback of Customs duties are granted under the provisions of section 288 of the Customs Act.

12. Resolved, That there shall be imposed, levied and collected upon goods enumerated in schedule I to this Part, when such goods are imported into Canada or taken out of warehouse on and after the twenty-fourth day of May, one thousand nine hundred and twenty-two, on the duty paid value in addition to any duty or tax

that may be payable under The Special War Revenue Act, 1915, or any other statute or law, the rate of excise tax set opposite to each item in said schedule I; and there shall also be imposed, levied and collected when any such goods are manufactured in Canada and sold on and after the twenty-fourth day of May, one thousand nine hundred and twenty-two, in addition to any duty or tax that may be payable under The Special War Revenue Act, 1915, or any other statute or law the rate of excise tax set opposite to each item in said schedule I on the price for which the same is sold.

There shall be imposed, levied and collected upon all goods enumerated in schedule II to this Part, when such goods are imported into Canada or taken out of warehouse or when any such goods are manufactured in Canada and sold on and after the twenty-fourth day of May, one thousand nine hundred and twenty-two, in addition to any duty or tax that may be payable under The Special War Revenue Act, 1915, or any other statute or law the rate of excise tax set opposite to each item in said schedule II.

Where the goods are imported such excise tax shall be paid by the importer and where the goods are manufactured and sold in Canada such excise tax shall be paid by the manufacturer; provided that if an automobile is, on the twenty-fourth day of May, one thousand nine hundred and twenty-two, in the hands of a dealer and not sold to a bona fide user the tax shall be paid by such dealer when such automobile is sold.

The Minister may require every manufacturer to take out an annual license for the purposes aforesaid, and may prescribe a fee therefor, not exceeding two dollars, and the penalty for neglect or refusal shall be a sum not exceeding one thousand dollars.

Provided that such excise tax shall not be payable when such goods are manufactured for export, under regulations prescribed by the Minister of Customs and Excise.

Provided further that the value on imported cigars shall be the duty paid value as defined in section 19A of The Special War Revenue Act, 1915; the value on cigars manufactured in Canada shall include the amount of the excise duty payable thereon.

13. Resolved, That it is expedient to amend the said Act by providing that any taxes imposed under the provisions of paragraph eleven and paragraph twelve of these resolutions on sales and deliveries by manufacturers, producers, wholesalers or jobbers shall apply to sales to and also to importations by His Majesty whether in the right of His Majesty's Government of Canada or His Majesty's Government of any province in Canada for the purpose of resale; and by providing further that under the provisions of paragraph eleven of the said resolutions the purchaser shall be furnished with a written invoice of any sale, which invoice shall state separately the amount of such tax.

14. Resolved, That section 19D of said Act as enacted by chapter forty-six of the Statutes of 1918 and subsection four of section three of chapter seventy-one of the Statutes of 1920 be struck out and the following section substituted therefor:—

(19D) Every person, who being thereto liable, neglects or refuses to pay any War Excise Tax imposed by part four of The Special War Revenue Act, 1915, shall be liable, on sum-

mary conviction, to a penalty of not less than fifty dollars and not exceeding one thousand dollars.

15. Resolved, That, notwithstanding the provisions of The Bank Act and The Bankruptcy Act, or any other statute of law, the liability to the Crown of any person, firm or corporation, for payment of the excise taxes specified in the said Special War Revenue Act, 1915, and amendments thereto shall constitute a first charge on the assets of such person, firm or corporation and shall rank for payment in priority to all other claims of whatsoever kind heretofore or hereafter arising save and except only the judicial costs, fees and lawful expenses of an assignee or other public officer charged with the administration or distribution of such assets.

16. Resolved, That any enactment founded on paragraphs numbered nine, ten, eleven, twelve and thirteen of the preceding resolutions shall be deemed to have come into force on the twenty-fourth day of May, one thousand nine hundred and twenty-two, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for which no entry for consumption was made before that date;

Provided that any enactment founded on the aforesaid resolutions shall not apply to the excise tax provided for in Schedule I on automobiles purchased before the twenty-fourth day of May, one thousand nine hundred and twenty-two and sold by a dealer in Canada to a bona fide user prior to that date and imported and entered for consumption on or before the first day of July, one thousand nine hundred and twenty-two; and to provide further that any enactment founded on the aforesaid resolutions so far as it imposes an excise tax on beverages mentioned in Schedule I shall come into force on the first day of July, one thousand nine hundred and twenty-two.

SCHEDULE I

Automobiles adapted or adaptable for passenger use:—

- (a) valued at not more than twelve hundred dollars each. five per cent.
- (b) valued at more than twelve hundred dollars each, on the value of twelve hundred dollars. five per cent.
on the value in excess of twelve hundred dollars ten per cent.

Not to include automobiles entered as settlers' effects.

Confectionery which may be classed as candy or a substitute for candy but not to include goods packed ready for sale in cartons or other packages bearing the name of the manufacturer, selling by retail at ten cents or less per carton, nor to include candy known as "gross goods" selling by retail at one cent. . . . five per cent.

Beverages, when containing not more than two and one-half per centum of proof spirit not in casks, bottles or other closed containers, as follows:—

Beverages derived wholly or in part from cereals or substitutes therefor, unfermented fruit juices and imitations thereof, carbonated beverages or aerated waters, all other compounded or mixed soft drinks, sold by a person conducting a soda fountain, ice cream parlour, or other similar place of business.five per cent.

SCHEDULE II

Ale, beer, porter and stout, per gallon.twelve and one-half cents.

Beverages when containing not more than two and one-half per centum of proof spirit, in casks, bottles or other closed containers, as follows:—

Beverages derived wholly or in part from cereals or substitutes therefor; unfermented fruit juices and imitations thereof; carbonated beverages or aerated waters; all other compounded or mixed soft drinks, per gallon.five cents.

Cigars:—

- (a) valued at not more than forty dollars per thousand, per thousand.fifty cents.
- (b) valued at more than forty dollars per thousand and not more than one hundred and ten dollars per thousand, per thousand.three dollars.
- (c) valued at more than one hundred and ten dollars per thousand and not more than one hundred and fifty dollars per thousand, per thousand.seven dollars.
- (d) valued at more than one hundred and fifty dollars per thousand and not more than two hundred dollars per thousand, per thousand.ten dollars.
- (e) valued at more than two hundred dollars per thousand, per thousand.sixteen dollars

INCOME WAR TAX ACT

Resolved, That it is expedient to amend subsection five (a) of section four of The Income War Tax Act, 1917, as enacted by chapter fifty-five of the Statutes of 1919, by providing that the provisions of the said subsection five (a) shall not apply to a bank as defined by section three of The Special War Revenue Act, 1915.

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BUDGET SPEECH

DELIVERED BY

HON. WILLIAM S. FIELDING
MINISTER OF FINANCE
MEMBER FOR SHELBURNE AND QUEEN'S



IN THE

HOUSE OF COMMONS

MAY 11, 1923



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1923

CANADA

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BUDGET SPEECH

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IN THE

HOUSE OF COMMONS, FRIDAY, MAY 11, 1923

WAYS AND MEANS—THE BUDGET

Hon. W. S. FIELDING (Minister of Finance, Member for Shelburne and Queen's) moved:

That Mr. Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, the financial affairs for the fiscal year, 1921-1922, which was the last year of which we have the public accounts, call now for only a passing notice. With regard to that year, the year ended 31st March, 1922, it is worth while remembering that while the present government were in power at the time the accounts were made up at the close of the year, they had only been in power three months, and, therefore, it will not be unfair to treat that year as a Conservative year, inasmuch as the Conservative government of the day, in the discharge of their duties, prepared the estimates and voted the money, made the contracts, and practically controlled the expenditure of the year. So that I think we may count that year, practically speaking, as a Conservative year. I am going to ask at this stage, and at one of the other stages during my remarks, that the courtesy of the House be extended to me, which is usual, to enable me to put into Hansard, in the form of a summary, some figures which I may present.

INCOME AND EXPENDITURE

The revenue for the year was \$381,952,386.99 against ordinary expenditure of \$347,560,690.63. If the surplus is to be ascertained by comparing the ordinary revenue with the ordinary expenditure—and that was the time-honoured way of determining surpluses—then on that year there was a surplus of \$34,391,696.36. But there was a capital expenditure of \$16,295,332.55. If we take that into account, both ordinary expenditure and capital expenditure, there was still a surplus of \$18,096,363.81. Then there were certain special expenditures, including demobilization charges, of \$1,526,583.22. So, if we take into account ordinary expenditure, capital expenditure, and what is called special expenditure, there still was a surplus of \$16,569,780.59. So far this is a story of surpluses; but there is a further statement

to be made which quite destroys that happy picture. There were charges for advances to railways of \$97,950,645.36. If we take, then, the whole expenditure for the year, ordinary, capital, special and railways, there was a deficit in that year of \$81,-380,864.77. After allowances for some deductions are made, the net result was that in that year we added to the public debt \$81,256,818.04.

We turn now to the year 1922-1923 which closed not many days ago. We have not the complete accounts before us, but there is sufficient information to enable us practically to announce the result. Ordinary revenue amounted to \$393,619,000. These are estimates, as the figures are not absolutely final. Ordinary expenditure amounted to about \$331,780,000. As between those two items, there was then a surplus of \$61,839,000. Capital expenditure, however, represents \$14,500,000; adjustment of war claims, \$6,700,000; cost of loan flotations, \$3,050,000; these representing in all \$24,250,000. There was thus a surplus over ordinary, capital and special expenditures, of \$37,589,000. But again the railways have to be taken into account. We had to advance during that year \$92,190,000 for railways, and \$6,060,720 for the Canadian Government Merchant Marine, making in all for that charge, \$98,250,720. This, of course, takes up all the surplus I have mentioned and leaves a large balance on the other side of the account. If we take everything into consideration for the year, the net result was that we added to the public debt in the year just closed \$49,-293,086. The receipt of something over \$8,000,000 from the British government on exchange account helped us to keep down what otherwise would have been a larger addition to the public debt.

THE PUBLIC DEBT

The addition of nearly \$50,000,000 to our public debt in the past year is not a situation that should cause very much satisfaction in any quarter. During the war it was inevitable that there should be large additions to the public debt, and after the war was over there also had to be large additions to the public debt; but the war has been over for several years; we are now getting to a period of peace, so-called, and many will think it is about time that we endeavoured to balance our budget; that is to say, that we no longer have the excuse of the war for spending more money than we receive. I suppose stern economists will say that that is what should be done. I confess, as Minister of Finance, that it would be very agreeable to me if I could present such a statement, and the temptation is strong to pile on the taxes and meet the difficulty. Many people who have the critical spirit, without responsibility, will probably say that that is what a Minister of Finance should do. There is, however, another side

to the account. The people of Canada are pretty heavily taxed to-day; between Dominion, provincial and municipal taxation, the burdens of the people are very great, and I am reluctant to add to those burdens now by introducing new forms of taxation. Readjustments there will be, reductions here, changes in various ways; but I do not want at present to yield to the temptation of opening up new fields of taxation. I am going to ask the House and the country to bear patiently for a year or two, perhaps, the condition of affairs, in the hope that the betterment which, we believe, is near at hand, will enable us to bear the burdens without opening up these new fields of taxation to which I refer. I am, therefore, going to ask the House to take the result that we may have to add some little amount to the public debt even yet, rather than introduce new forms of taxation.

It is true that we are adding to the public debt each year, but I note with satisfaction that the amount of the addition is each year diminishing. The figures of our additions to the debt immediately before the war, during the war years and in the years since the armistice, are encouraging. I will now give the round millions. From 1914, the increases in the public debt are as follows:

1914	\$ 21,000,000
1915	113,000,000
1916	165,000,000
1917	264,000,000
1918	312,000,000
1919	382,000,000
1920	674,000,000

1920 seems to have been the banner year in the way of additions to the debt:

1921	\$92,000,000
1922	81,000,000
1923	49,000,000

So, while these additions to the debt are deeply to be regretted, there is a little encouragement in the thought that, year by year, we are making the additions less than they have been. I would cherish the hope that with the betterment that, I believe, is coming to Canada in various ways, we shall not have to add very much to our debt in the years to come. I think, probably, our railway situation is going to be improved; I think, probably, with the consolidation of the roads, with the vigorous management we now have, we may reasonably expect that there will be an improvement in that situation, and I have a strong hope that in another year we shall have a better statement as respects the railways, a better statement as regards our finances generally. I believe I express the wish of the House when I say that it is better that we should pursue that course

than that we should add to the burdens of the country by opening up new forms of taxation.

Coming now to the present year, 1923-1924, I will put in a statement which will show the figures in comparison with the two previous years. We are expecting an increase in Customs to the amount of \$5,600,000, an increase in the Post Office of \$250,000, an increase in Dominion Lands of \$200,000, an increase in war tax revenue, inland revenue, \$7,180,000, and other war tax revenues, \$85,000. On the other hand, we have to look forward to a decrease in Excise of \$5,600,000, a decrease in interest on investments of \$9,718,000, a decrease in inspection of staples of \$50,000, a decrease in income and business profits of \$17,797,000, and a decrease in all other revenues of \$1,251,000. The net result is that we expect on this year that our revenues will hardly come up to the figures of last year. I am assuming that the decrease on the whole will be about \$21,000,000.

The Main Estimates already submitted to parliament for all services other than railways amount to \$353,011,235.73. Advances to railways amount to \$73,000,000, advances to merchant marine, \$1,500,000, or a total for these two items of \$74,500,000. To this must be added something for Supplementary Estimates. I am putting down the figure, approximately, of the last year, of \$15,900,000, but I fondly hope that it will not be so large and I shall do my best to keep it lower.

Under the present system of taxation the revenue I estimate to be \$372,517,000. As between the consolidated fund expenditure of \$339,000,000 and the revenue of \$372,517,000 we might expect a surplus this year of \$37,517,000. Capital expenditure will reduce this by \$23,415,000 so that we may hope to provide for a surplus over ordinary and capital expenditure of about \$14,100,000. But the railways have to be taken into consideration and we estimate that they will require \$74,500,000. This, of course, will consume all of the surplus that I have mentioned and leave a balance on the other side of the account. From these figures it is evident that we must look forward to some addition to the public debt at the end of the year. There will be something saved, however, through the full amount of the estimates not being expended, and I am hopeful that if, as seems likely, at the end of the year we have some addition to the public debt it will be a very small one.

LOAN OPERATIONS

The loan operations of the last year are partly known already to the House. I mentioned last session the New York loan of \$100,000,000. The five-year bonds at 5½ per cent, 1917 Victory Loan, amounting to \$182,834,500, matured on December 1, 1922. The holders of these bonds were given the privilege of

exchanging maturing bonds for new bonds bearing $5\frac{1}{2}$ per cent interest and taxable, as follows: Five-year bonds due November 1, 1927; Ten-year bonds due November 1, 1932. The holders of the maturing bonds took advantage of the offer to the extent of \$114,449,250, leaving a balance of \$68,385,250 to be redeemed in cash. Of course, with that large amount to provide, in addition, a very considerable sum in temporary loans was involved.

Treasury bills matured during the fiscal year as follows: \$24,605,000 due October 1, 1922; \$49,215,000 due October 15, 1922; \$35,000,000 due November 2, 1922; \$35,000,000 due November 15, 1922. Of these bills, \$49,100,000, was paid and the balance was extended for six months from the respective due dates at $5\frac{1}{2}$ per cent. Renewals for a further period of one year have been arranged, with interest at $5\frac{1}{4}$ per cent. The due dates and the amounts outstanding will therefore be as follows:

April 2, 1924	\$ 4,680,000
April 16, 1924	41,060,000
May 2, 1924	19,325,000
May 15, 1924	29,655,000

It will be seen, by the extension, that we have been carrying our treasury bills over at what I think will be admitted, under the circumstances, to be a very fair rate, namely, of $5\frac{1}{4}$ per cent.

TAX REDUCTIONS

The estimated revenue that I have referred to here has been based upon the existing system of taxation. We are proposing a considerable reduction in our customs tariff and in the excise duties. If we had no expectation of an enlargement of business this loss of revenue would of course add materially to the deficit of the year. I am hopeful, however, that the reduction of taxation which we are now proposing will not seriously affect the revenue. We are looking forward to an increased volume of business to a sufficient extent to give us results equal to those of our present system of taxation. An increased business should give us the revenue and offset the loss from the reduction in the duties. A large proportion of the revenue comes from what is called the sales tax. Last year we were obliged to increase the amount of the tax considerably. We must admit that the tax is a burden; and apart from the amount of it the form in which it has been imposed has given rise to very much discontent. There are varying rates of taxes at the different stages of business enterprises,—6 per cent, $4\frac{1}{2}$ per cent, $3\frac{3}{4}$ per cent, and $2\frac{1}{4}$ per cent. Many a good citizen who recognizes that the government needs money and who is willing to pay his fair share of the taxes, objects to the complexity of the sales tax. We are proposing to change it in the hope that we shall improve the situa-

tion. Our aim is now to impose this tax at its source, at the first stage of business operations, at which the tax is properly applicable. We propose that the tax shall be 6 per cent and that it shall apply on the duty-paid value both of home-made and of imported goods. Stated in this way the proposal seems a very simple one, and its purpose I believe will have widespread public approval. The working of the system, however, has its difficulties and I hope we have been able to overcome them in the resolutions which I shall lay on the Table.

We are adding to the list of exemptions in the sales tax, five items, raw furs, wool, drain tiles for farm purposes, manuscripts and newsprint. Some new taxes were imposed last year experimental in their character; some of them proved satisfactory while others have not; and I suppose the best thing we can do is to admit that we were mistaken in our judgment and correct the error.

Very much complaint has been made about the receipt tax. Now, I am persuaded that this is a thoroughly sound tax. It has been imposed in Great Britain for many years and no Chancellor of the Exchequer dreams of dropping it. All new taxes are annoying at first; they are irritating. But I think that the worst is over now and I am firmly convinced that the receipt tax is a sound one. I am therefore going to ask the country to adhere to it, for I believe it will be a large means of obtaining revenue, and in the end the people will be quite satisfied.

With regard to the cheque tax, we introduced last year graduated taxes on cheques with a maximum of \$2. There has been some complaint with reference to this. It is represented that there are transactions in which several cheques have to be given but which really relate practically to the one business deal, so that in that way the tax operates as a burden. It is also represented to us, and I think with some force, that on the boundary line this tax induces men who have an opportunity to do so to keep their accounts across the border on the other side. There is probably some force in all these criticisms. We do not feel, however, that we are free to give up the tax; it is a valuable source of revenue and we intend to retain it. We propose however that the maximum instead of being \$2 shall be \$1 only. This reduction will apply also to notes and bills of exchange.

In the course of the discussion of the French Treaty I suggested that the reductions therein made might necessitate some readjustment of other duties. One of the questions raised in that debate had reference to the excise tax on light Canadian wines. The tax has been for some years 30 cents per gallon we propose now to reduce the duty to 7½ cents per gallon. Canadian wine manufacturers are beginning to make a sparkling

wine. The excise tax on this is \$3 per gallon. The wine manufacturers represent that this is almost prohibitive and that only a reduction of the duties will permit the industry to expand. We propose to meet this point by reducing the excise tax on Canadian-made sparkling wine from \$3 to \$1.50 a gallon. Any disadvantage that might otherwise accrue to the wine industry through the French Treaty will be fully met, I am sure, by this readjustment.

Another item concerning which there was a discussion was French brandy. There is a provision in the treaty that there shall be a discount of 10 per cent. It was represented that probably that would operate to the disadvantage of Canadian spirits. I think perhaps that we had better wait a little while before forming a conclusion on that question. In the first place, the reduction does not apply to all brandies; it applies only to certain specified articles described in the treaty as Cognac and Armagnac brandies. These are specialties of France; they are high-class liqueurs and are expensive. I do not think it is reasonable to suppose that any one will give up drinking Canadian spirits of any kind and turn to French brandies costing very much more than is paid now for the Canadian liquor. I believe that in all probability we shall do well to await the development of events and see how the matter operates. In the meantime it is worth noting that the French Treaty will not be in operation for some weeks. The formalities in closing a treaty generally take time, and we need not be alarmed at any immediate danger in that respect. With regard to the excise duty on wines, as this reduction is intended to offset the provisions of the French Treaty, it will only be brought into operation by proclamation at the same time as the treaty comes into force.

In the observations I have made to-day it will be noticed that I am not touching the Income tax. If there be necessary changes in this respect they will be dealt with later in a separate bill.

Among the taxes imposed last year was an increase in the duty on cigarettes. Ministers of Finance always look upon tobacco and cigarettes as easy marks—if you ever want a few million dollars just clap an extra duty on tobacco and cigarettes. There was a time when whiskey bore this burden, but additional revenue is no longer possible from this source. I confess I thought last year we might get more money by increasing the duty on cigarettes by \$1.50 per thousand. However, the figures seem to show there is a falling off in the consumption of cigarettes. My own judgment is that there is no falling off in the consumption, the only falling off is in that portion of the commodity which pays duty. Along the boundary line, I am informed, it is a very easy matter to smuggle cigarettes. There

are articles which cannot well be smuggled, and there are articles which may be smuggled very easily. Unfortunately, cigarettes come within the latter class. However, our expectations in regard to this tax have not been realized, and we propose now to strike off the extra \$1.50 duty and revert to the old rate.

There were other disappointments. We thought we might get some money from an excise tax on beetroot sugar, but nothing has come of that. The trade interested has complained very much; no revenue has come to us; and, as I am proposing some readjustment of the sugar duties in other directions, we have concluded to abolish the tax on beetroot sugar.

There were several taxes which caused a good deal of irritation, among others the soft-drink taxes. We propose to change the form of these, and instead of 5 cents per gallon and 5 per cent, we propose to strike that business at its source by imposing a tax of one cent per pound on carbonic acid gas. We think we will get our money to the same extent and with less trouble.

CUSTOMS TARIFF CHANGES

We are not making many changes in the details of the Customs tariff. I will mention some, others will be found in the resolutions by those who study them carefully. Nearly every item I shall mention is in the direction of reduction. It is a rare thing in this budget to have any proposal to increase taxation, but there is an exception in the item I am about to mention. We are proposing to increase the duty on raisins and dried currants so they will be free from Great Britain and pay 3 cents a pound under both the other tariffs. My hon. friend the Minister of Trade and Commerce (Mr. Robb) recently made a trip to Australia in the hope of coming to a commercial arrangement with the Australian Commonwealth. As we know, while he made some progress which gave him some encouragement, he was not able to conclude an agreement. We are advised that in addition to our British preference which we offer to the Australians they are particularly interested in raisins and dried currants, and if we change our tariff so as to offer some inducement to them on these items it will go far to make them content with our scheme and bring about an agreement. In the hope that that may be the case, we are going to provide that the duty on raisins and dried currants shall be increased to 3 cents a pound under the intermediate and under the general tariff, but that they shall be free under the British preference. If Australia makes an agreement, and thus comes under the benefit of the British preference, this will be the rate which will be imposed upon the things that she is most anxious to send us. There is a small duty on raisins and dried currants now.

Sir HENRY DRAYTON: Two-thirds of a cent.

Mr. FIELDING: Yes. The Customs Department has had some trouble during the past year with regard to the kind of petroleum which was imported at the Pacific coast, the importers claiming that it was crude petroleum and should be admitted as such. The Customs Department ruled that it was a commodity in which some advancement had been made in manufacture and that it could not be admitted as crude. We are proposing now to fix a small duty upon it of $\frac{3}{10}$, $\frac{4}{10}$, and $\frac{6}{10}$ of a cent per gallon. This we think will enable this petroleum still to be brought in; but as it is a half-manufactured product it is not in a position to claim freedom from duty.

Iron or steel scrap per ton is now dutiable at 50 cents, 90 cents, and \$1. We propose to reduce it to 25 cents, 45 cents, and 50 cents.

Boots or other appliances for deformities of the feet are placed on the free list.

Casual donations are allowed to come in free now to the amount of fifty cents' duty. We propose to make the item one dollar.

We propose to insert a special item for machinery of a class or kind not made in Canada, designed to manufacture goods not made in Canada; in other words, new industries which will come in. We are not making the machinery free, but we are proposing to give it a drawback which will make it practically 40 per cent of the ordinary duty.

Another article in the way of machinery is also dealt with. It is represented to us that vast quantities of fish waste are destroyed in Canada which could be converted into useful material, such as fertilizers, poultry feed, and so forth, and we propose that machinery of a class or kind not made in Canada, designed for that purpose, shall be admitted free.

We are proposing that hemp seed be put on the free list.

There is an item in the tariff now by which well-drilling machinery for the prosecution of the oil industry is free within certain limitations. It has been represented, however, that the item is rather narrow. We are broadening it out so that it will include practically the whole equipment for well-drilling except motive power.

The duty on stumping machines is reduced and provision is made for a drawback.

Malt flour which is used by bakers is reduced one cent per pound.

The item of printing machinery is broadened out to include some articles which are not mentioned in the present tariff.

A new industry is promised us for the manufacture of artificial silk. It is represented to us that this industry will employ

a large amount of labour and we have every reason to believe that if we can make encouraging terms a great industry will be established. We propose to make a classification in which it will be treated largely as silk, and we have every reason to hope this will lead to a very important industry being established.

We propose to adhere to and extend the British preferential tariff. Our proposal is that on whatever duty may be payable according to the varying rates of the British preferential tariff a discount of 10 per cent shall be allowed. This, of course, does not mean a 10 per cent reduction of the tariff rate. Where the tariff rate is 30 per cent the discount of 10 per cent will reduce it to 27 per cent; where the tariff rate is 25 per cent, the discount rate will reduce it to 22½ per cent, and so forth. To these reductions we attach two qualifications, the first of which is that they shall not apply in the case of any article where the duty is not above 15 per cent. A duty of 15 per cent will not be regarded as a high one, and it will hardly be expected that we ought to apply these reductions to items which stand at 15 per cent or less. That is one important qualification. There is another one, however, which I am sure the House will receive with satisfaction; we say that this 10 per cent discount shall only apply when the goods are brought direct to the ports of Canada. With Montreal and Quebec in summer, Halifax, St. John, Victoria, Vancouver, and Prince Rupert all the year round, Canada has abundant opportunity to bring her goods into her own ports. We think this is an important step in the direction of the encouragement that many people in our ports have long desired. In this part of our programme we believe we are doing three things which are worthy of commendation. In the first place, there is a comprehensive reduction of duties—and that will be agreeable to those who regard the tariff as a tax. Then, there is an emphasis given to the British preference, which has always found favour among the people of Canada, and then at the end we have this effort to do something for the encouragement of our own ports. We hope the proposal made in this respect will meet with the satisfaction of the House; I am sure it will.

I mentioned that we were having some revision or readjustment of sugar duties. Increases of taxes on commodities are quick to reach the consumer; reductions of taxation on like articles are slower in their operation. The reductions which I have already mentioned will in due time represent a substantial diminution of the burden of taxation.

SUGAR DUTIES

There is another item on another article of commerce to which I now wish to invite the attention of the House. If there is one article of almost universal use among our people, it is

sugar. Taxation on sugar is a burden on the whole people, and a reduction of the duty on sugar is one of the most direct methods of granting relief. During the war sugar advanced to very high prices. After the war there was for some time reduction until prices became somewhat normal. Quite recently, however, we seem to be returning to wartime conditions with respect to the cost of sugar. Just what may be the cause of this advance is perhaps a matter of controversy. In some quarters it is alleged that speculators in the United States have obtained control of the market and that this is the cause of the rapid increase of prices. But one thing that the consumers distinctly know is that they are again called upon to pay very high prices for this very necessary article of household use. In the United States the feeling is so strong that householders in many places are organizing boycott campaigns against the use of sugar. Nothing of the kind has yet occurred with us, but the consumer is everywhere feeling keenly the burden of the high cost. If, then, we would make some very substantial reduction of taxation, something having a direct bearing on the cost of living, what article is so suitable for the purpose, under present conditions, as the article of sugar? We propose a reduction of 50 cents per 100 pounds on refined sugar and a proportionate reduction on the raw sugar from which the refined article is made. I estimate that in this item we relieve the consumers of sugar of taxation to the extent of \$2,500,000.

There is another point I should mention in connection with sugar duties. You know that we have in our tariff what is called the dumping duty, which is designed to apply where illegitimate competition is taking place. There are some lines of trade in which it has not been deemed necessary to apply it; the dumping duty does not apply to refined sugar imported from the United Kingdom. So long as sugar is at a moderate price, that may be all right; the dumping duty would be applied in the case of importations from other countries. But if sugar is going to be at a very high price, as it is now, with the prospect of going higher, then we think a restriction of the dumping duty should apply, and we propose that wherever sugar costs at the point of shipment more than 8 cents per pound, the dumping duty shall hereafter not apply—that is, there will be freedom of purchase irrespective of dumping duty.

COPPER BOUNTY

We have been asked from time to time to do something to encourage industries of various kinds. Where these applications take the form of a request for higher duties, the problem is not an easy one. One of the difficulties of such a situation is that there are many items in the tariff which cannot stand

alone for consideration; they are closely related to one another. The article which is the finished product of one man is practically the raw material of another, perhaps of several others. If you increase duties to assist the first man, you disturb the whole scale and all the others will expect compensatory increases. Industrial aid of this kind naturally meets with widespread objection. There is another form in which it may be possible to assist industry without the disturbing results I have mentioned. The granting of a bounty simplifies the case. Many people, willing to see industry aided, would prefer the bounty rather than protective duties, especially if the bounty be of a temporary character and placed on a sliding scale. One merit of the bounty system is that you know precisely what you are paying and can compare the cost with the results. We have given careful consideration to requests made to us on behalf of the copper interests of Canada. Canada is a copper-producing country. Our far western province, British Columbia, is rich in this respect. Yet the copper industry has made but moderate progress. There is a duty of $1\frac{1}{2}$ cents per pound on copper in the form of ingots. A very large enterprise has been established in British Columbia which is encouraged by this duty. The next stage of the copper business is the production of bars and rods, which become the raw material of other manufactures, such as the making of wire. Copper bars and rods are the raw material of wire manufacturers. To assist them, these bars and rods were some years ago placed on the free list for the use of manufacturers in their own factories. All these bars and rods are thus imported free. Neither of these copper products is produced in Canada for the reason that our producers are unable to compete with large manufacturing enterprises in the United States. We sympathize very warmly with the desire to have a larger development of the copper industry in the Dominion. Since a duty on bars and rods would probably necessitate increased duties on a number of articles made from copper, we are unwilling to grant aid in that form. We have concluded that if the copper industry is to be encouraged as we would desire, it will be better to deal with it directly in the way of a bounty than by higher duties on that which is the raw material for other factories. I said that a bounty will be regarded by many as a better form of aid than any increase of protective duties. But even a bounty would be objected to with much reason if it were not of a temporary character. Much has been heard in times past of the importance of assisting infant industries. Most folk will be kindly disposed towards the industries while they are in their infancy. But experience has shown that the infant grows up, and when he has attained to all the strength of manhood he is still found clinging to protective duties and claiming that he cannot live

without them. A new industry which is to have that kind of experience is not a very desirable one for the country. An industry based upon the natural resources of the Dominion which wants a helping hand at the beginning and is prepared later to rely on its own strength and character is worthy of consideration. We propose to afford a measure of help to the copper industry of Canada on the condition that that help shall take the form of a bounty, that the amount of the bounty shall be held within proper limits and that it shall be reduced from year to year until it is extinguished. We propose to allow a bounty for a period of five years beginning at $1\frac{1}{2}$ cents per pound and diminishing from year to year until the end of the five-year term. The bounty will apply to copper bars and copper rods manufactured in Canada, from copper produced in Canada, and sold for consumption in Canada, and not to include exports. The privilege now granted to manufacturers to import copper rods and bars for their purposes free of duty will continue. What we desire is that the aid we are giving will enable the Canadian producers to compete as they have not been able to compete before with their American rivals and that they will get a reasonable command of the market. We are placing a limitation of \$200,000 per annum upon this bounty. At the beginning the industry will not earn anything like that. As the time rolls on it will probably earn that much, but when it gets to its highest point it cannot get more than \$200,000 in any one year.

BOUNTY ON HEMP

There is another industry to which we are going to extend similar aid. We have been working together to encourage the cultivation of hemp, for which article we are assured the soil of parts of our country is particularly adapted. It is believed that with some encouragement a large manufacturing plant can be established in Manitoba, drawing its raw material from the crop to be raised in the immediate vicinity. Here again is a case where the helping hand may only have to be extended at the beginning. There is a large market in Canada for products manufactured from hemp, and other articles of similar character. If we can economically produce the hemp ourselves and turn it into manufactured products in factories within easy reach of the fields in which it grows, surely that is an industry which may be well worthy of the helping hand. We therefore propose to apply in this case substantially the same rule as in the case of the copper industry. Under the aid we are affording, copper rods and bars should be turned out in Canada at an early date. The development of the hemp business will be slower. To complete the plans of the authorities who are giving attention to the promotion of the movement, to raise the

crop and prepare and manufacture the hemp, will take a considerable time. We therefore propose that in this case the five year period shall begin on the first day of July, 1925. By that time binder twine and other products made from Canadian hemp should be ready for the market and the producers will be in a position to claim the bounty. In this case also we propose a bounty beginning at one and one-half cents per pound on the hemp and diminishing from year to year, until at the end of the five years the bounty is extinguished.

In this case, too, we limit our payment to \$200,000 per annum. A much less sum would be sufficient at the beginning, but as the enterprise develops its business may be large enough to absorb the full \$200,000.

BOUNTIES GRANTED AND BOUNTIES WITHDRAWN

We are proposing the granting of certain bounties to develop new industries. Let me now draw attention to our desire to put an end to some bounties—

Mr. McMASTER: Hear, hear.

Mr. FIELDING: —which we think have served their purpose.

One of the measures adopted under authority of the War Measures Act was the granting of a bounty to encourage the production of linen thread. The bounty was not to exceed \$25,000 per annum and was limited to a term of three years. The law allowed an expenditure of \$25,000 per annum, but in no year did the actual expenditure reach as high as \$6,000. However, the three years are over and that bounty will cease. We are now proposing to renew it.

Many years ago provision was made for a bounty of three-eighths of a cent per pound on manila hemp used in the manufacture of binder twine. There was at the time an export duty in the Philippines against hemp coming into Canada, which did not apply to hemp going to the United States. This placed the Canadian manufacturer at a disadvantage to meet which the bounty was granted. The export duty was repealed some years later and no money has been paid under this authority for some years. We have deemed it well, however, to repeal the act, so that there may be no misunderstanding concerning it.

Some years ago, in the readjustment of petroleum duties, a bounty was provided for in the case of petroleum produced in Canada. The operations carried on under it were never very large. They were chiefly in Ontario and later in some degree in New Brunswick. The operations have dwindled considerably. The total amount paid in the form of bounty in 1922 was \$93,636. The amount is not large, and if we had to consider

only the conditions which existed when the bounty was applied it might not be worth our while to make any change. But oil has been found in our western country. There is a widespread conviction that we are on the eve of great oil discoveries in the far west and north. The development of great oil wells in that country would of course be in one way a blessing, as adding so much to the natural resources of the Dominion. But from the Dominion Treasury's point of view that which might seem to be a blessing would be little less than a disaster. If there should be, as may very likely occur, great strikes of oil in the western country, the bounties we are called upon to pay would be a very serious charge upon the treasury. We are proposing, therefore, to confine the bounty of one and one-half cents per gallon to those who have already been receiving it, to continue it for one year, until July, 1924, that next year it shall be cut one-half, and that thereafter the bounty shall cease to be paid.

FOREST CONSERVATION

The question of forest conservation has of late commanded ever-increasing interest. Where a country has a lavish supply of anything, we are apt to be careless in the conservation of it. Too often it has been assumed that there is no limit to the forest wealth of Canada. Those who have given the matter closest attention realize that with the extensive operations of the lumbermen, the immense damage by fire and by insects, a timber famine in Canada is by no means impossible. Every effort that can be made in the way of conservation should be and is being encouraged. From some enthusiasts there is a call for more drastic methods. It is proposed that we prohibit the exportation of pulpwood. In several of the provinces this prohibition is already in effect through provincial regulations. Only the federal parliament can prohibit any exportation, but where provincial governments are owners of timber lands they can in their leases stipulate the conditions under which operations shall be carried on. In this way several of the provinces have practically prohibited the export of pulpwood. But there are in all the provinces private lands which are not subject to provincial restriction. The object of the movement to which I refer is to prohibit the export of wood by these private owners. Such a policy while it would find favour in some quarters, would certainly be objected to by the private land owners, who will argue that they should be as free to dispose of the products of their land as other land owners are. Before reaching a conclusion in this matter, we think there should be a more thorough investigation than there has been before and we shall therefore, during the recess, endeavour to find suitable persons,

one or more, to inquire into the matter and get all the information which it is possible to obtain before coming to a conclusion.

TARIFF STABILITY

There is a thought which does not receive as much consideration as I think sometimes it should be given in public discussions, and that is the desirability of something like tariff stability. Business men do not like to be always threatened with changes in the tariff. There is no finality in legislation either as respects that tariff or as respects anything else. That which parliament can do to-day it can undo to-morrow. Everybody knows that. Everybody must conduct his business in the light of that fact. Nevertheless it is desirable that something like an assurance of tariff stability should be given to business men. Exceptions will occur. There will be cases where, in the interest of the consumer, reductions in the tariff ought to be made. There will be inequalities discovered in the tariff which should be corrected; there will be errors which should be remedied. Any minister, any government, any parliament must be free to deal with these cases as they arise. But the conditions to which I refer are exceptional. Speaking broadly, it is possible to give the country a reasonable assurance of stability of tariff. Such assurances are very desirable, for no business man would care to enter upon enterprises which may be brought into peril by frequent tariff changes. The tariff as it will be when the changes proposed to-day come into effect will be a moderate tariff and probably as low as the country can afford to have under present conditions. Of course we cannot expect that it will be satisfactory to everybody. It will not meet the desires of those who would rigidly apply the principles of free trade. It will not meet the wish of the advocates of high protection. After all life is largely made up of compromises. In the realm of political affairs orderly government can be possible only where a spirit of compromise exists. Subject to the exceptional conditions such as I have mentioned, I think the country should be content to accept the tariff as it will now stand as one as fair and reasonable as can be prepared under all the circumstances, and business men should be able to carry on the various enterprises without the fear of being soon disturbed by further changes.

Stability of tariff cannot be expected while tariff rates are high. But where the rates are for the most part, as in our tariff, moderate, a reasonable measure of tariff stability should be assured.

RELATIONS WITH THE UNITED STATES

I want to say before I conclude a word or two with regard to our relations with the United States. With a few excep-

tional cases, we do not propose any reduction in our general tariff which applies to goods coming from the United States. While we naturally desire to develop trade within the Empire, as we have been doing and wish to continue to do through the British Preferential tariff, we do not conceal from ourselves the fact that our trade relations with the neighbouring public are matters of very grave importance to many of our Canadian people. The Congress of the United States in the exercise of its undoubted right, has established what is commonly called the Fordney-McCumber tariff, which is largely a high tariff, and which we realize operates to the disadvantage of Canada. Any desire that we may have towards modification of our own tariff is naturally held in check by the high tariff of the United States. Whatever may have been thought and said and done at other times, there is hardly anybody in Canada to-day who does not feel that better trade relations between the Dominion and the United States are very desirable. I believe I am warranted in saying that to-day there is no class of the Canadian people who do not recognize that it is of the highest desirability that we should have proper trade relations with the United States. The desire of Canada to make a friendly treaty with the United States ought to be well known, and I think it is well known. As to the willingness of Canada to have a measure of reciprocity between the two countries there ought to be no question. A minister of this government went to Washington and informed the government and the Congressional leaders of Canada's willingness to enter into negotiations for another reciprocity treaty. They know our willingness in this regard, and I think it is well we should say it again. The position of our government in the matter, therefore, is well known. In 1879 when the national policy, so-called was framed there was what was called a standing offer to the United States, and the United States had notice of how Canada would like to deal with them. I want to adopt the principle of that though not the details of it. I am proposing that we shall put into our tariff laws to-day a declaration of our readiness and our willingness to make an arrangement with the United States whenever they are ready to meet us on fair terms. I propose to put in this clause:

The Governor in Council may authorize any minister of the Crown to enter into negotiation with any authorized representative of the government of the United States with a view to the making of a commercial agreement between the two countries on terms that may be deemed mutually beneficial. Any agreement so made shall be subject to the approval of the Parliament of Canada.

This is a general indication of our willingness to make a commercial treaty with our neighbours. We realize, however, that if this suggestion on our part should meet with favourable consideration, considerable time would have to elapse before an

agreement could be made and brought into effect. It would require action by congress. Congress only could deal with the matter in that broad way. Is there not some other way in which the desired end, in part at least, could be reached? Can we do nothing in the meantime? Possibly we can. Under the present law of the United States there is a privilege granted to the President of the United States to make certain reductions if he likes to do so. He may do that without waiting for congress, and, therefore, we propose to insert this clause, having relation to that particular matter:

If the President of the United States, under authority of the United States' Tariff Act of 1922, determines to reduce the duties imposed by such act on the following articles, that is to say:

Cattle, wheat, wheat flour, oats, barley, potatoes, onions, turnips, hay, fish as enumerated in paragraphs 717, 718, 719 and 720 of the said Tariff Act of 1922, the Governor in Council may by order in council make such reductions of duties on similar articles imported into Canada from the United States as may be deemed reasonable by way of compensation for such reductions on Canadian products imported into the United States.

The previous paragraph makes a standing offer of reciprocity which we know can only be adopted by congress. This paragraph appeals to the President, or intimates to the President, that if he is prepared to exercise the power which the congress has given to him by way of reduction, we are prepared to meet him on similar terms. I do not know that any good will come from it. I think we are doing right to place on record our desire and determination to meet our American friends on fair terms, if they will meet us.

THE OUTLOOK

Canada, in common with other countries has been passing through a period of severe depression. Some of our farmer friends have come to us from the West with gloomy stories of the condition of affairs in their part of the Dominion. Unfortunately, there has been depression, not in the West only, but in the East as well. Not many months ago, the conditions in the neighbouring Republic were in every respect as bad as, and in some respects worse than, in our Dominion. Suddenly, so suddenly as to leave room for doubt as to a continuance of it, a great revival of business has arisen in the United States. Whether there is economic ground for it is doubted by many thoughtful students. The buying power of the western farmer in the United States is still at a low point. Foreign markets are still so much disturbed that the prospects of large sales in that quarter are not bright. Nevertheless, there is a boom on in the

United States. I asked a friend who is a careful observer of these things on what he thought the American people found ground for their present activity. His answer was, "By faith in themselves." It really seems that this is the case. It is a sort of "Couéism." They resolve that things are going to get better, and they believe that they are better. However that may be, we need not analyze the conditions. We know there is great activity in the United States. Stern economists will wonder what our American friends are going to do with the products they are having turned out so rapidly from the American factories. Meanwhile there is no question that the boom is on. Instead of the unemployment which prevailed so widely but a few months ago, there is now a great demand for labour. Wages which had begun to fall are again on the rising scale. This activity across the border, this great demand for labour at high wages, has naturally affected us in Canada. We are so near to the United States, and it is so easy for our people to cross the border, that when things are somewhat dull over here, and high wages are offered in the United States, there would naturally be such an exodus as there has been during the recent months. But this I believe is only a temporary condition, I believe they will come back. Experience has shown that the United States are usually ahead of us by a few months, perhaps a year, in the change of conditions. The prosperity which comes to them reaches us a few months later. The adversity which sometimes comes to them comes to us a few months later. This experience justifies us in believing that history will repeat itself in this respect. Already we see signs of reviving activity in our country. That we may check the exodus and bring back many of those who have already gone is a reasonable expectation. If we have faith in ourselves, faith in the intelligence, industry and courage of the Canadian people, faith in the vast and splendid resources of our Dominion, we may justly look forward to an early revival of the prosperity of former days.

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB

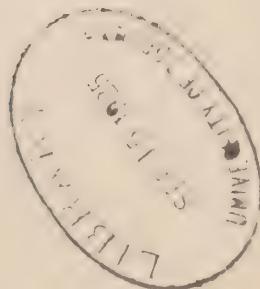
ACTING MINISTER OF FINANCE

MEMBER FOR CHATEAUGUAY-HUNTINGDON

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MARCH 24, 1925



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BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB, M.P.

ACTING MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, MARCH 24, 1925

WAYS AND MEANS—THE BUDGET

Hon. J. A. ROBB (Acting Minister of Finance) moved:

That Mr. Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: In presenting to-day the annual statement of the financial affairs of our Dominion, may I express the sincere regret, which I am sure we all share, that our hopes and wishes for a speedy recovery of the Minister of Finance, the Right Honourable Mr. Fielding, have not been fully realized.

PUBLIC ACCOUNTS, 1923-24

The Public Accounts for the financial year 1923-24 were tabled in this House on the 9th of last month. The consolidated fund revenues or ordinary receipts are shown as \$396,837,682.22, being \$837,682.22 in excess of the estimate given to the House last session; and \$2,222,782.22 over the corresponding receipts for the previous year. Other receipts amounted to \$9,743,635.74, which brought the gross revenue to \$406,581,317.96.

The expenditure side shows \$324,813,189.75 for ordinary expenses, being a decrease of \$7,480,542.34 under corresponding expenditures for the previous year. Capital, demobilization and other charges amounted to \$19,208,597. The gross expenditure was \$344,021,786.75, or \$6,586,759.97 less than for similar services the previous year.

The public debt was decreased by the amount of \$35,993,593.86. Since Confederation decreases of debt have occurred in only nine of the fifty-seven years completed. \$35,993,593.86 is the largest decrease of any of those nine years, being \$10,375,758.83 greater than that for any previous year since Confederation.

DEBT REDUCTION OF 1923-24

May I, before dealing with the outcome of the year 1924-25, which ends on the 31st of this month, ask the indulgence of the House to refer for a moment to a contention advanced last

session in this chamber that the reduction of debt by some \$35,000,000 was arrived at by a departure from the practice heretofore followed in dealing with loans to the Canadian National Railway system. The fallacy of this contention was fully explained by the Prime Minister from his place in this House. My reasons for referring to this matter in the budget speech are not so much in the interests of the party to which I have the honour to belong as in the interests of all who make up our national life. The attack at the time was weakened by the fact that no two of the critics seemed able to agree on just how many millions were involved and to what extent the debt should have been affected. During the recent recess of this House, these remarkable and fallacious charges have been reiterated in public speeches and also featured prominently in certain issues of the public press. Criticism of the public policies of any party is expected, but to step aside and charge an administration with altering the method of keeping our national records, for the purpose of showing the financial position of the country to be other than it really is, brings with it a danger which I am sure is not fully realized by those carrying on such propaganda. We Canadians are in the process of becoming in the not far distant future a great nation. We are in the growing period. We must practise economy, but we must make such provision for the development of our country and of our transportation facilities as will be necessary to meet our growing needs. To meet the necessary capital charges required for national development we may need outside capital. If we require to go to a foreign money market for loans to be used for the development of this country, I submit there is danger that our credit, now at its highest point, may be damaged and that we may be called upon to pay higher rates for accommodation. It was not until I feared that such criticisms of the accuracy of our public records might result in impairing our national credit that I thought it worth while to take the necessary steps to have our balance sheet for 1923-24, the year concerned, examined by two of the most outstanding chartered accountants in Canada, men to whom no one could take exception. This was done for the double purpose of satisfying the people of Canada as well as those outside of Canada whose good-will and financial resources we might need in the developing of our country. On the 27th January, 1925, I received the auditors' certificate, a copy of which has been printed on the balance sheet on page number three of the Public Accounts for 1923-24. The certificate reads as follows:—

"We have examined the Balance Sheet of the Dominion of Canada as at March 31, 1924, and we certify that the Balance Sheet conforms to the Balance Sheets of previous years in not including in the Net Debt of

the Dominion, issues of the Canadian National Railway Company and Companies included in its System, which carry the Guarantee of the Dominion of Canada. Such Guaranteed issues are shown year by year as Indirect Liabilities.

"GEO. EDWARDS,
Of the firm of Edwards, Morgan & Co.

"W. GARTH THOMSON,
Of the firm of Peat, Marwick, Mitchell & Co.

"OTTAWA, CANADA, 27th January, 1925."

While guaranteed loans in the past have been issued for the purpose of taking care of deficits, capital and other charges, and treated in our public accounts as indirect obligations, I submit that it would be an ideal practice if, for the purpose of securing better terms in the flotation of Canadian National Railway loans, the guarantee of the Minister of Finance could be confined solely to loans raised for the betterment of the Railway System; and in this respect this administration has been singularly successful. The System is now meeting its running expenses with a surplus left over for fixed charges. The Railways are not called upon to pay out of their revenues interest on Dominion loans made to them by way of cash, although such is included in the annual railway budget as submitted from time to time by the Minister of Railways and Canals. They are thus relieved for the present from a very large annual commitment, and in consequence are able to carry on their capital and betterment requirements by loans guaranteed by the Minister of Finance. Net operating income surplus, together with the cash loans made by the Government, meet the railway's fixed charges, which, of course, include interest charges on obligations held by the public.

THE CANADIAN NATIONAL RAILWAYS

May I here explain, for the information of this House and the country, the relationship of the Canadian National Railways' finances to the Dominion accounts. During war time stress it was deemed advisable, by the Government of the day, in order to avoid a possible breakdown in our transportation facilities, to give substantial financial aid to the Canadian Northern Railway and its constituent companies. Very large sums of money were loaned to the Company, the Government taking as security railway interest-bearing bonds or demand notes. These interest-bearing bonds or demand notes were until 1920 treated as active assets and they so appeared in the Federal balance sheet, being deducted from our gross debt in determining the net debt of the Dominion. The present Minister of Finance, Mr. Fielding, in this connection made the following statement in the House:—

"When the amount was not very great in proportion to our business, perhaps there was no need of any discrimination, but when these assets,

under the operation of our railways, grew to very large figures, it became desirable or necessary that there should be discrimination."

He further stated:—

"My predecessor in office very properly made that discrimination by dividing our assets into active and non-active."

The railway loans were, for the year 1919-20, classified as non-active, thus increasing the net debt of the Dominion by the amount of the total of the then railway loans. The amount so added at that time by the immediate predecessor in office was \$272,624,931.34. When the present Minister of Finance, Mr. Fielding, took office, he continued the policy of his predecessor, and that policy is still being followed. Each year Government loans to the Railway Company are added to our debt, and the Company's own securities issued to the public carrying the guarantee of the Minister of Finance are, as formerly, set out in our public accounts as indirect obligations. To illustrate: on the 31st March, 1922, the net debt of the Dominion stood at \$2,422,135,801. On the 31st March, 1924, the net debt was \$2,417,783,275, a decrease in the net debt of \$4,352,526. The amount of loans to the Railway Company from the 31st March, 1923, to the 31st March, 1924, namely, \$24,500,000, was added to the debt of the country. Fortunately, our financial condition was sufficient to more than offset this heavy addition to the net debt, and in spite of it we more than balanced our budget in that year by some \$35,900,000. The total of our net debt, as of the 31st March, 1924, namely, \$2,417,000,000, included the total amount of approximately \$582,000,000 of railway indebtedness as up to that date.

THE RAILWAYS HAVE NOT PAID ARREARS OF INTEREST

The Railway Company from earnings are not yet able to meet the arrears of interest accumulated on our loans to the Company. This Government, following the policy of its predecessors, continues to relieve the Company from the payment of interest. To do otherwise would require the increasing of our annual provisions in the estimates, thus adding to our debt on the one hand, and, after receiving back from the Company the amount so provided in our estimates, crediting it to interest on investments account on the other hand, thus reducing our debt by the very amount by which we increased it. The total amount of these arrears of interest on the 31st March, 1924, was about \$131,000,000, but it is not treated in our public accounts as an asset: it is held in abeyance only as an overdue account.

May I, before leaving this question of debt reduction, direct the attention of the House to the balance sheet of the Public Accounts at the close of the financial year 1923-24, page two, where will be found among our assets an amount of \$43,612,756.16, cash left in our hands after the closing of our accounts for that year; and I submit the question: Is not the actual possession of so much cash conclusive evidence that we ended that year with excellent results? For the information both of this House and of the country, may I point out that of this amount—the savings made—\$34,500,000 was segregated and deposited in an interest-bearing special account, until such time as the pressing needs of the country required it for our general purposes.

Last year the statement was made that during the fiscal year 1922-23 the Minister of Finance had paid out actual cash for all the requirements of the Railway System for that year and that the same course should have been followed in the year 1923-24. It is perfectly true that during 1922-23 the Minister of Finance was able to meet the requirements in cash for all railway obligations including capital charges. In that year we received from the Imperial Government \$56,000,000 towards liquidation of large outstanding obligations incurred by the Imperial Government during the war. The Minister of Finance thus found himself in possession of a large amount of cash which was not the outcome of that year's taxation, and rather than issue securities to the public, and thus incur an additional obligation with its annual high interest charges, he wisely took the position that, in view of the high interest rates then prevailing, it would be better to utilize this cash for all the purposes of the railways and allow that part of it for capital requirements to enhance the value of the road.

Parliament has made provision for our railway requirements by authorizing the Government to make loans to the railways for all purposes by way of cash or by way of guarantee or partly one way and partly the other. This was the nature of the authority asked for by our predecessors in office and is still the form of authority given by Parliament. Parliament does not authorize the Government to issue loans for railway purposes, except by way of guarantee.

Mr. Speaker, I now ask that the courtesy of the House be extended to enable me to put into Hansard a tabulated statement supporting the remarks I have just made as to the allocation of Government aid, by cash or guarantee, given to the railways.

**STATEMENT OF LOANS TO RAILWAYS FOR 1922-23, 1923-24 AND 1924-25
MADE IN CASH AND GUARANTEED BOND ISSUE UNDER AUTHORITY OF THE APPROPRIATION ACTS**

	1922-23	1923-24	1924-25	Total
	\$	\$	\$	\$
<i>Deficit</i> —Operating deficit, interest due public, and rentals of leased lines.....	36,722,181	20,356,198	21,343,940	78,422,319
<i>Redemption of Debt</i> —including equipment trust principal payments and sinking funds.....	25,275,902	11,469,369	7,007,533	43,752,804
<i>Capital</i> —Investment in road and equipment including acquisition of property.....	18,214,940	41,630,933	33,765,527	93,611,400
	80,213,023	73,456,500	62,117,000	215,786,523
Discount on Government Guaranteed Bond Issues.....		1,093,500	1,910,000	3,003,500
	80,213,023	74,550,000	64,027,000	218,790,023
These totals are made up as follows:				
Loans by way of cash charged to the net debt of the Dominion.....	80,213,023	24,550,000	18,027,000	122,790,023
Loans by way of Government Guaranteed bond issues.....		50,000,000	46,000,000	96,000,000

While the estimated loans by way of cash of \$18,027,000 for 1924-25 are short of the estimated deficits for this year by \$3,316,940, the statement shows that for the three years under review the Government loans in cash have not only enabled the Railway Company to meet all deficits, including fixed charges due the public, but also left the substantial sum of \$44,000,000 to be applied to capital requirements.

WORLD ECONOMIC CONDITIONS

Mr. Speaker, before dealing with the present financial year, which closes on the 31st of this month, I would like to refer to the disturbed world-wide economic conditions which affected all nations so disappointingly during the year 1924. Early in the year a still more pronounced business depression swept the European nations. Their vexed unsolved reparations problem, with no satisfactory suggestions towards effecting a readjustment of their difficulties, brought discouragement and depression. This gradually spread until it affected Canadian industrial and business activities. The ratification of the Dawes plan, providing for the establishment of an internationally controlled gold reserve bank of issue for the purpose of stabilizing the credits and currency of Germany, now carries with it a feeling of relief and hope as the first promising solution of the reparations problem.

It will be some time before all returns for the fiscal year ending March 31, 1925, come to hand, but we are to-day in a position to estimate closely for the balance of the year's operations.

DECREASE OF \$52,800,000 IN REVENUES

The actual revenues received by the Department of Finance up to and including 28th February last amounted to \$308,994,207.71. The amount of revenues yet to come when the accounts for the year are finally closed is estimated at \$35,005,792.29. This gives a total revenue of about \$344,000,000, being a decrease of some \$52,800,000 under the revenue of 1923-24.

SOURCES OF REVENUE

The estimated revenue from customs duties will be \$108,200,000, a decrease of some \$13,300,000 under the previous year. From excise duties we expect \$39,200,000, an increase of about \$1,000,000. We estimate that the revenue from excise taxes will be \$85,000,000, a decrease of about \$35,600,000. From income taxes we estimate \$56,550,000, being an increase of some \$2,350,000. From delayed business profits tax we will receive some \$2,400,000, a decrease of \$2,350,000. From interest on investments we estimate a revenue of \$9,350,000, being a decrease of about \$2,550,000. We expect to receive \$28,100,000 as Post Office receipts, being a decrease of about \$750,000. From all other sources we estimate a total of about \$15,200,000, being a decrease of about \$1,500,000.

Mr. Speaker, I again request the courtesy of the House in order to place on record in the form of a summary the figures which I have just given.

—	Estimated Receipts 1924-25	Actual Receipts 1923-24	Increase	Decrease
	\$	\$ cts.	\$ cts.	\$ cts.
Customs.....	108,200,000	121,500,798 49	.....	13,300,798 49
Excise Duty.....	39,200,000	38,181,747 33	1,018,252 67	.....
Excise Taxes.....	85,000,000	120,676,375 89	.....	35,676,375 89
Income Tax.....	56,550,000	54,204,027 99	2,345,972 01	.....
Delayed Business Pro- fits Tax.....	2,400,000	4,752,680 89	.....	2,352,680 89
Interest on Investments.	9,350,000	11,916,479 11	.....	2,566,479 11
Post Office.....	28,100,000	28,866,808 41	.....	766,808 41
All other revenue.....	15,200,000	16,738,764 11	.....	1,538,764 11
	344,000,000	396,837,682 22	3,364,224 68	56,201,906 90
		344,000,000 00		3,364,224 68
		52,837,682 22		52,837,682 22

\$5,100,000 REDUCTION IN EXPENDITURES

Coming now to expenditures, it is estimated that when all accounts are closed the expenditure for the year on ordinary account will be \$319,700,000, a decrease, as compared with the previous year, of some \$5,100,000.

Taking the estimated revenue for the year ending 31st March, 1925, as \$344,000,000, and the estimated expenditure chargeable to Consolidated Fund as \$319,700,000, there will be a surplus of revenue over the ordinary expenditure of \$24,300,000 available for capital, special and other obligations.

Capital expenditure for public works, including Marine Department, will amount to some \$6,697,000.

Capital expenditure for railways and canals will be \$11,800,000, of which \$11,000,000 is for the Welland Ship Canal. From this amount \$420,000 is to be deducted as refunds from previous years' expenditures,—\$180,000 on account of the Welland Ship Canal; \$141,000 on account of Hudson Bay Railway; \$47,000 National Transcontinental Railway; \$36,000 Canadian Government Railways and \$16,000 from other sundry railway and canal services—leaving the net capital charges at \$11,380,000.

The total net capital expenditures for the year would therefore be \$18,077,000.

Special expenditures will amount to \$4,400,000, made up of: adjustment of war claims \$475,000; cost of and discount on loan flotations for refunding maturing loans \$3,350,000; Consolidated Fund transfer charges \$575,000.

SURPLUS OF \$1,823,000 ON GOVERNMENT SERVICES

Comparison therefore of the total of expenditures on all Government services, namely,—\$342,177,000, with our estimated revenue receipts for the year, \$344,000,000, will show that we have more than balanced the year's business on Government services by the sum of \$1,823,000; a remarkable result, I submit, in which Canadians may feel a justifiable pride when we realize that this year, as a result in part of our policy last year in reducing the burdens of taxation, we will receive from the people \$52,837,000 less than in 1923-24; and may I repeat that notwithstanding this large reduction in our revenues we will end the present year with a surplus of revenues over expenditures of \$1,823,000.

\$4,000,162 FROM ROUMANIA AND GREECE

In addition to this surplus on government business over the year's transactions, the sum of \$4,000,162 must be taken into account as an improvement in our financial position by an additional active asset having been added to our balance sheet, arising from negotiations begun in 1922 by our High Commissioner in London with the Governments of the Kingdoms of Roumania and Greece for the consolidation of our loans to those countries, with arrears of interest, thus placing their obligations upon a sound financial basis. The arrears of interest were,—Roumania \$3,520,636 and Greece \$479,526. The High Commis-

sioner was successful in coming to an arrangement with these countries whereby such arrears were capitalized and additional bonds issued and transferred to the Dominion of Canada. The debts at that date, with the interest added as capital, were,—Roumania \$23,969,720, and Greece \$8,000,000, making a total of \$31,969,720. This increased asset over the capital amount of their debt, which previously stood in our books, was \$4,000,162. Treasury Bills previously deposited to secure the debt were backed only by the general credit of these countries. New securities given to the Dominion for the total indebtedness are further secured by specific charges on certain revenues of these countries. In the case of Roumania the service of the new bonds is a first charge upon export duties collected on wheat exports and other products; in the case of Greece, their obligations are a charge upon the revenues of the International Financial Commission appointed to administer certain specified revenues of the Greek Government for the purpose of meeting charges in connection with their external indebtedness. These governments have, since 1922, been paying their interest charges regularly and promptly, and in the case of Greece part of the principal in addition.

This amount of \$4,000,162, now classified in our books as an active asset, although resulting from previous years' operations pertaining to our own public business, must be added to our surplus of \$1,823,000 previously referred to, thereby making a total of \$5,823,162 as the surplus of the results of the past year from government services.

RAILWAY ACCOUNTS KEPT SEPARATE

If here I may digress for a moment, I would like to point out that in all budget speeches, as well as in the Public Accounts the results of the country's own business transactions have always been dealt with separately and apart from other transactions, such as loans to the railways and Merchant Marine which, previous to 1918, were not provided for in our annual budget of estimates but were authorized by special Acts of Parliament.

This year we presented our estimates for such services separately, in order to have them conform to the method followed in the submission of budget speeches and in the making up of our public accounts.

RAILWAY FINANCING

Parliament at its last session authorized \$56,527,000 for loans to the Canadian National Railway Company. A further supplementary estimate has lately been placed on the Table of the House amounting to \$7,500,000, which will bring the total provision for 1924-25 up to \$64,027,000.

As in previous years, provision has been made that the loans might be by way of cash or by way of guarantee of railway securities for any or all of the requirements. Cash loans, provided that the full amount will be required, will total \$18,027,000. The difference between the \$18,027,000 and the total amount asked for has been covered by way of bond issues, carrying the guarantee of the Minister of Finance:—

\$20,000,000 three-year, four per cent (4%) notes, and
\$26,000,000 thirty-year, four and a half per cent (4½%)
bonds,

issued on the New York market under conditions distinctly favourable to the railways.

Apart from the annual vote, the railways were required this year to raise additional funds for special purposes. An issue of \$9,375,000 four and a half per cent, serial equipment trust bonds was sold. The money is being applied to the purchase of new equipment, which, following the usual plan of financing such issues, was pledged as security for the bonds. The Government's guarantee was not required.

During the year securities of the Canadian Northern Railway Company, guaranteed by the Minister of Finance under the provisions of the Acts of 1917 and 1918, respecting the acquisition of the Canadian Northern Railway system, fell due, as follows: \$6,000,000 at five and one-half per cent; \$11,000,000 at five per cent. These maturities were refinanced by a consolidated issue of \$17,000,000 four and one-half per cent ten-year bonds guaranteed by the Minister of Finance under the same statutory authority. A further flotation of \$18,000,000 four and one-half per cent five-year guaranteed bonds was made under the provisions of the Acts of 1924 respecting branch lines and Toronto Terminals construction, the proceeds of which are to be paid out as expenditures thereon are incurred.

THE PUBLIC DEBT

I now come to the public debt: On March 31, 1924, our net public debt stood at \$2,417,783,274.88.

We will deal first with the business transactions pertaining to government services proper. Our ordinary revenues for the current fiscal year will be \$344,000,000. Our estimated ordinary, capital, special and other expenditures will amount to \$342,177,000, leaving a favourable balance in the year's operations of \$1,823,000. To this must be added the sum of \$4,000,162 previously referred to, making a total of \$5,823,162 as a reduction in dealing with our net debt on account of Government services proper. This amount is available to be applied on account of our loans to the Canadian National Railways of \$18,027,000; to Canadian Government Merchant Marine of \$900,000; and to

the Quebec Harbour Commission of \$600,000, all of which, while being assets, but for the present considered as non-active, are to be added, thereby making an increase of debt during the year of about \$13,703,838.

LOAN FLOTATIONS DURING FISCAL YEAR

During the fiscal year obligations amounting to \$199,270,650 matured. In addition provision had to be made for the meeting of obligations to the value of £5,000,000 falling due in London on the first day of May, 1925. In consequence the total sum of \$223,603,983.33 had to be provided for. As a result of the successful financing of the Government the maturing obligations were met by new issues totalling \$223,333,333.33, a saving of \$270,650 and by refinancing at better rates of interest a saving of \$2,643,264.92 has been made in the annual interest charges.

The securities which matured for which refunding loans were issued consisted of \$91,315,000 five and a quarter per cent. Treasury Bills held by the Canadian banks and \$107,955,650 five and a half per cent bonds of the Victory Loan of 1919 due November 1st, 1924.

To meet these obligations, on September 15th, 1924, one-year four per cent notes amounting to \$90,000,000 were sold to a New York Syndicate at par. Later, \$35,000,000 four per cent two-year notes dated October 1st, 1924, and \$50,000,000 four and a half per cent twenty-year bonds dated October 15th, 1924, were sold to a Canadian Syndicate, realizing 99 for the two-year notes and 95 for the bonds. The syndicate made a public offering of the \$50,000,000 twenty-year bonds, with conversion privileges to holders of maturing Victory Loan bonds.

On November 15th, 1924, an issue was made of \$24,000,000 one, two and three-year four per cent notes, \$8,000,000 maturing in each year. This issue was sold to a Canadian Syndicate at 99½.

Advantage was taken of the low interest rates prevailing on short term borrowings to sell in London £5,000,000 six months' four per cent Dominion of Canada Treasury Bills, dated February 1st, 1925, and maturing August 1st, 1925, for the purpose of retiring our £5,000,000 four and a half per cent Bond Loan falling due in London May 1st, 1925, upon which we exercised an option to redeem in advance of the maturity date.

REDUCTION IN PRINCIPAL AND SAVING IN INTEREST

To sum up, the total of maturing obligations, including the sterling bonds, amounted to \$223,603,983.33, while the new securities issued represent a par value of \$223,333,333.33, being a reduction of \$270,650 in our outstanding public debt. There will also be an annual reduction in the interest rate of the

refunding issues under the interest rates of the matured loans which will result in an annual saving of \$2,643,264.92.

TRADE BALANCE INCREASES

I desire, Mr. Speaker, to place on record a statement showing our trade with the British Empire and with foreign countries. This statement shows that in our trade with the British Empire during the fiscal year ended 31st March, 1924, the balance of exports over imports was nearly \$243,000,000, and in our trade with foreign countries the balance of imports over exports was nearly \$78,000,000, making a net balance of exports over imports with all countries of \$165,186,430. During the period of ten months ended the 31st January, 1925, the balance of exports over imports in our trade with all countries has increased to \$263,414,526. During the first period there was a favourable balance with all countries excepting the United States of nearly \$325,000,000 and an unfavourable balance with the United States of nearly \$160,000,000; during the second period there was a favourable balance with these countries of nearly \$328,000,000 and an unfavourable balance with the United States of nearly \$65,000,000. With the permission of the House I shall place this statement on Hansard.

CANADIAN TRADE DURING THE FISCAL YEAR ENDED MARCH 31, 1924

	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
	\$	\$	\$
<i>British Empire—</i>			
United Kingdom.....	153,613,003	361,197,041	207,584,038
Other British Countries.....	41,772,629	77,132,395	35,359,766
Total, British Empire.....	195,385,632	438,329,436	242,943,804
	Imports	Exports Domestic and Foreign	Balance of Imports over Exports
<i>Foreign Countries—</i>	\$	\$	\$
United States.....	601,295,121	441,650,861	159,644,260
			Balance of Exports over Imports
Other foreign countries.....	96,686,114	178,573,000	\$ 81,886,886
			Balance of Imports over Exports
Total, foreign countries.....	697,981,235	620,223,861	\$ 77,757,374
	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
<i>All countries—</i>	\$	\$	\$
Total, all countries.....	893,366,867	1,058,553,297	165,186,430

CANADIAN TRADE
DURING THE PERIOD OF TEN MONTHS ENDED JANUARY 31, 1925

	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
	\$	\$	\$
<i>British Empire—</i>			
United Kingdom.....	121,884,189	349,600,037	227,715,848
Other British countries.....	38,148,314	69,333,218	31,184,904
Total, British Empire.....	160,032,503	418,933,255	258,900,752
	Imports	Exports Domestic and Foreign	Balance of Imports over Exports
	\$	\$	\$
<i>Foreign Countries—</i>			
United States.....	415,332,165	350,508,647	64,823,518
			Balance of Exports over Imports
Other foreign countries.....	75,529,886	144,867,178	\$ 69,337,292
			Balance of Exports over Imports
Total, foreign countries.....	490,862,051	495,375,825	\$ 4,513,774
	Imports	Exports Domestic and Foreign	Balance of Exports over Imports
	\$	\$	\$
<i>All Countries—</i>			
Total, all countries.....	650,894,554	914,309,080	263,414,526

TARIFF BOARD TO BE APPOINTED

Since last session the revenue collecting services of the Government have been consolidated under one administrative head. Pending the removal of restrictions, imposed during the discussion of the estimates in this House, in the manner of appointment of its personnel, the formation of the Board which it was proposed to constitute to investigate and study the various modes of taxation has not been proceeded with. It is now proposed to have this inquiry made as a part of the larger study of taxation in general, in conjunction with the survey of our customs tariff schedules upon which officers in the public service are already engaged. In order that an efficient organization may be effected, an item has been included in the estimates to provide for the salaries and expenses of a Board of Advisors to the Minister of Finance, whose duties are to inquire into all matters pertaining to the tariff and other forms of taxation and to advise the Minister of Finance in regard thereto. The policy of the Government is that the Board shall be made up in part of officers of the service having special knowledge of tariff and other taxation and trade problems, who will give a

portion of their time to the work of the Board. The remaining members will be persons specially qualified to advise upon such questions, who will give continuous time and attention to these and kindred matters. The Government is of the opinion that expert and exact knowledge to be obtained in the manner mentioned should precede any general tariff revision and that, for the present, opportunity of unobstructed observation of the effect of the extensive tariff changes made last year should be afforded.

EXPORT DUTY ON ELECTRICITY

Section 10 of The Electricity and Fluid Exportation Act gives the Governor in Council power to impose export duties on electricity. An Order in Council has been passed imposing an export duty for revenue purposes of three one-hundredths of a cent per kilowatt hour upon power, as defined in the said Act. This duty will be payable on and after the first day of April, 1925. The rate will be equal to about \$1.95 per horse-power year.

AMENDMENT TO THE CUSTOMS ACT

A Bill will be introduced providing for amendments to The Customs Tariff Act for the better enforcement of the sections for the prevention of smuggling.

CUSTOMS TARIFF CHANGES

It is proposed to make very few tariff changes. The principal change will be in bituminous coal. The item "slack coal" is repealed, which puts this class of coal into the item of "coal, n.o.p." This change will remove difficulties in the administration of the Act. There will be a slight reduction on other bituminous coal. The changes should encourage greater production of Canadian coal and also be of considerable advantage to Canadian transportation companies.

It is proposed to make a reduction in the rate on well-drilling machinery for deep wells and on engines for the propulsion of boats owned by individual fishermen.

The estimated increase in revenue from the amendments will be about \$1,000,000.

During the recess rolling mill rolls were by Order in Council placed on the free list. It has since been represented to the Government that these rolls are manufactured in Canada. It is proposed to repeal this Order, thereby restoring the rolls to their former rate of duty.

It is proposed to amend The Special War Revenue Act, 1915, by providing for a better definition of cheque, bill of

exchange, etc. It has been found that the intention of the Act is being evaded by the substitution of other documents which cannot be rated as cheques within the meaning of the Act. Well-drilling machinery and engines for the propulsion of boats owned by individual fishermen will continue to be exempt from the consumption or sales tax. A few other slight changes will be proposed.

CANADA'S WAR BURDENS ARE HEAVY

Mr. Speaker, I have submitted a statement of the financial position and trade activities of Canada for the current fiscal year and have made some comparisons with other years. But in making any comparison it should never be forgotten that the problems of Canada to-day are not comparable with those of countries whose people were not in the war so early nor so long as were the Canadian people. Canada was in the war from the day the first gun was fired. Into that struggle we, in common with many other nations of the world, poured our treasure, and what was infinitely more dear, the life-blood of our country. Gloriously succeeding in our duty, our country four years later was freed from the struggle; but we found ourselves being borne along new and uncharted channels, channels which were strewn with and made dangerous by the wrecks of great nations, national discords and sectional strifes.

Moreover, upon the Dominion treasury had fallen the cost of our share in the war, the interest on the war debt, the pensions to our disabled soldiers and to the widows and orphans of our men who had fallen at the front. The present Government, representing the will of the Canadian people, has constantly borne in mind the debt we owe to the disabled and the needs of the widows and orphans, which necessitated pension increases from year to year.

EXPENDITURES HAVE BEEN REDUCED

On the other hand, by reductions in general expenditures and by refinancing maturing loans, the Government has succeeded in reducing the interest charges and also our annual expenditures, thus enabling us last year to report a material reduction in our net debt and this year a substantial reduction in taxation and a surplus in the Government's own administrative services.

The Government has attempted to give a lead, which it is hoped will encourage general support of our policy of practising rigid economy in all public services, so that the costs of such services throughout Canada may be still further reduced.

A RETROSPECT OF 1924

The past year was not without its difficulties. Trade depressions in Europe reduced the purchasing power of the people of many countries and have adversely affected business on this continent. Short crops in some parts of Canada and the United States resulted in less labour being required for the harvesting; it meant fewer car-loads to be hauled; it limited charters for vessels and curtailed employment among those who are usually engaged in the moving of the crops from the farm to the seaboard. But there is a bright spot. Agricultural industries, especially in the prairie provinces, are now receiving the benefits of greatly increased prices for last year's crops, and these increased revenues are being applied, not to luxuries or comforts, but to wiping off the indebtedness incurred during the lean years. The farm, free from debt, brings more general economic value to the owner and to Canada as a whole than would be obtained from the free spending of profits for other than actual requirements.

THE FUTURE IS BRIGHT

Summing up our prospects, the immediate future looks brighter. No world state has a more self-reliant and virile people than has Canada. But to achieve our destiny we must remove all sectional, all provincial, jealousies from our hearts; we must keep faith; forget all differences of tongue and creed; remembering only and always that we enjoy a great heritage: that we are Canadians.

RESOLUTIONS

The following are the Budget Resolutions, as passed by the House of Commons:—

CUSTOMS TARIFF

1. Resolved, That schedule A to the Customs Tariff, 1907, as amended by chapter forty-seven of the Statutes of 1919, chapter twenty-seven of the Statutes of 1921 and chapter thirty-eight of the Statutes of 1924, and by Order in Council, be further amended by striking thereout tariff items 101a, 587, 588, 591 and 591a, the several enumerations of goods respectively, and the several rates of duties of Customs, if any, set opposite each of said items and to repeal paragraph (a) of regulation 1 of Order in Council, P.C. 1344, dated 5th day of August, 1924, designated as item 774 of the Customs Tariff, and to provide that the following items, enumerations and rates of duty be inserted in said schedule A:—

Tariff Items	—	British Preferential Tariff	Intermediate Tariff	General Tariff
101a	Shaddocks or grape fruit, n.o.p., per one hundred pounds.....	50 cts.	\$1	\$1
101aa	Shaddocks or grape fruit, when imported from the place of growth, by ship, direct to a Canadian port, per one hundred pounds	Free	50 cts.	\$1
453e	Engines to be used exclusively in the propulsion of boats <i>bona fide</i> owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the Minister of Customs and Excise.....	10 p.c.	12½ p.c.	15 p.c.
469a	Well-drilling machinery and apparatus and parts thereof, and rope twenty-one hundred feet and over in length, capable of drilling wells of two thousand feet and over in depth, of four inches and over in diameter, and of raising and lowering casing over four inches in diameter for such wells, for drilling for water, natural gas and oil, and for prospecting for minerals, not to include motive power.....	5 p.c.	5 p.c.	5 p.c.
553a	Braided candle-wick with or without wire centre or braided taper-wick with or without wire centre when imported by manufacturers of wax candles or wax tapers for use only in their own factories in the manufacture of wax candles or wax tapers.....	Free	Free	Free
588	Coal, bituminous, and coal, n.o.p., per ton.	35 cts.	45 cts.	50 cts.
588a	Gas for heating, cooking or illuminating, imported by pipe line per one thousand cubic feet.....	6 cts.	6 cts.	6 cts.
591	Farm wagons, farm sleds, logging wagons, logging sleds, and complete parts thereof	5 p.c.	10 p.c.	10 p.c.
591a	Freight wagons, drays, sleighs, n.o.p., and complete parts thereof.....	17½ p.c.	25 p.c.	25 p.c.

2. Resolved, That Schedule B to The Customs Tariff, 1907, be amended by providing that the following items, enumerations, and rates of drawback of customs duties be inserted in said schedule B:—

Tariff Items	Goods	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1045	Materials.....	When used in the manufacture of tubes enumerated in tariff item 397.....	99 p.c.
1046	Materials.....	When used in the manufacture of articles entitled to entry under tariff item 663b when such articles are sold to manufacturers to be used as specified in said item.....	
1047	Materials.....	When used in the manufacture of articles enumerated in tariff item 469a.....	99 p.c.
1048	Materials, including all parts.	When used in the manufacture of goods enumerated in tariff item 453e.....	99 p.c.
1049	Bituminous Coal.....	When imported after the twenty-fourth day of March, 1925, by proprietors of by-product recovery coke ovens and converted into coke at their by-product recovery coke ovens. Provided that no drawback shall be paid under this item on coal converted into coke at a gas retort plant or at a plant using any other process than the by-product recovery coke oven process, also provided that draw-back payable under this item is in lieu of drawback payable under any other item.....	50 p.c.
			99 p.c.

3. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the twenty-fifth day of March, one thousand, nine hundred and twenty-five, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that day.

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend The Special War Revenue Act, 1915, and to provide:—

1. That "cheque" shall be further defined to include any document or writing, not drawn upon or addressed to a bank, in exchange for which a bank makes payment of a sum of money, except a coupon and a document used solely for the purpose of settling or clearing any account between banks, and that such a cheque shall be liable to the stamp tax imposed on cheques by the said Act.

2. That a bill of exchange transferred or delivered to a bank drawn upon a person outside of Canada shall, for the purpose of the value of the stamp to be affixed thereto, be deemed to be drawn for an amount not exceeding twenty-five hundred dollars.

3. That no person selling foreign exchange shall for the purpose issue a bill of exchange drawn upon a person outside of Canada unless there is affixed thereto a stamp of the value of two cents for every fifty dollars up to twenty-five hundred dollars.

4. That the stamp tax imposed by the said Act on money orders or traveller's cheques shall be similarly imposed on money orders or traveller's cheques issued by a bank or other person.

5. That any promissory note held by a bank as collateral security for an advance or other indebtedness and in respect of which advance or other indebtedness stamps of the requisite value under this section are affixed to the relevant note or other proper document, shall not be subject to the provisions of this section. If such collateral is paid by a person liable thereon stamps of the requisite value according to subsection 3 (a) of this section shall before surrender thereof be affixed thereto and cancelled by the bank.

6. That a request in writing by a customer of a bank asking the bank to transfer from the account of the customer to another bank a sum certain for deposit only to the credit of the customer in such other bank, and an advice in writing by a bank to its customer that a sum certain is placed to the credit of the customer for transfer and deposit only to the customer's credit in another bank, shall not be subject to the stamp tax prescribed by section twelve of the said Act.

7. That in the case of the first complaint to the Minister or any officer of Customs and Excise against a person for failure to properly stamp a receipt given by such person the Minister may permit the person to affix the stamp in the manner prescribed in section fourteen of the said Act within one month of the date of the permit on payment of a penalty of ten dollars.

8. That subsection four of section nineteen BBB of the said Act as amended by section three of chapter sixty-eight of the statutes of 1924, being the list of excepted articles not liable to the consumption or sales tax, be amended by striking out of said section three of chapter sixty-eight the words "gasoline engines to be used in boats bona fide used by individual fishermen for their own personal use in the fisheries" where they occur in lines twenty, twenty-one and twenty-two, thirty-eight, thirty-nine and forty, and fifty-eight, fifty-nine and sixty of said section three; and that the said subsection four of section nineteen BBB be further amended by adding thereto the following:—

"Vegetable plants; lasts for boots and shoes including rubber footwear and patterns and dies for boots and shoes including rubber footwear; goods enumerated in Customs Tariff items 453e, 469a; articles and materials to be used exclusively in the manufacture of goods enumerated in Customs Tariff items 453e, 469a; materials, not to include plant equipment, consumed in process of manufacture or production which enter directly into the cost of goods enumerated in Customs Tariff items 453e, 469a."

9. That the bond required under the provisions of subsection seven of section nineteen BBB of the said Act to be given by a licensed wholesaler or jobber shall be for an amount not more than fifteen thousand dollars and not less than two thousand dollars.

10. That it is expedient to bring in a measure to provide that an advance made by any person on the security of bonds, debentures, stocks, or other securities, shall be taxable quarterly at the rate of two cents for every fifty dollars or fraction thereof.

10a. That it is expedient to repeal Section 17 of Chapter 47 of the Statutes of 1922, which makes the liability to the Crown for payment of excise taxes specified in The Special War Revenue Act, 1915, a first charge on the assets of the debtor.

10b. That it is expedient to provide that the stamp tax imposed by "The Special War Revenue Act, 1915," on a cheque, receipt for money paid by a bank, money order, traveller's cheque, post office money order and postal note, shall not be payable in respect of any of the said instruments which is for an amount not exceeding five dollars.

11. That any enactment founded on paragraph eight of this Resolution shall be deemed to have come into force on the twenty-fifth day of March, 1925, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that day.

12. That any enactment founded on this Resolution, excepting paragraph eight thereof, shall come into force on the first day of July, 1925.

SECTION:
CANADA;
FINANCE

DOMINION BUREAU
OF STATISTICS

MAY 12 1931

CANADA

BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB

MINISTER OF FINANCE

MEMBER FOR CHATEAUGUAY-HUNTINGDON

IN THE

HOUSE OF COMMONS

FEBRUARY 17, 1927



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OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1927



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CANADA

BUDGET SPEECH

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1927

BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, FEBRUARY 17,
1927

Hon. J. A. ROBB (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the House to go into committee of Ways and Means.

He said: In presenting to Parliament my fourth annual budget to-day may I recall that when in April, 1924, I had the honour of first delivering a budget, the post-war depression, so evident in 1920 and in 1921, was then moderating. Each succeeding year the annual budget has indicated gradual improvements in our trade and in our national finances.

The Dominion enters its Diamond Jubilee year with a happy outlook. Our farmers have, in general, enjoyed bountiful harvests; our industries are active and working well up to capacity, many indeed are working overtime; employment is at a high level and our transportation companies report a large volume of business; retail trade is brisk, money is plentiful and a buoyant spirit prevails. As individuals, Canadians have much to be thankful for, and as government financing is easier when times are good, the report I present to-day, will, I am sure, be a source of gratification and satisfaction to the country at large.

The large increases of debt registered in each of the fiscal years from 1913-14 to 1922-23 inclusive, are in striking contrast with the gradual and substantial reductions, aggregating some \$64,000,000, made during the fiscal years 1923-24 to 1925-26. We are again in the happy position of being able to report a continued story of progress for the current fiscal year which closes on the 31st of the coming month.

NET DEBT REDUCED \$95,000,000

We estimate that at the close of this year there will be a further reduction of some \$31,000,000 in our net debt. Thus, in four years whilst we have been reducing taxation we will also have reduced our net debt by some \$95,000,000.

PUBLIC ACCOUNTS 1925-26

The public accounts for the financial year 1925-26 were tabled on the 10th December last. In presenting the budget speech on the 15th of April, last, the outcome for the fiscal year 1925-26 was necessarily based on estimates of our revenues and expenditures for the year. It was estimated that the reduction in our net debt would be \$22,353,000. The final results for the year show that this estimate was more than justified, in that the actual reduction in our net debt was \$27,706,586, or in other words 5 millions better than estimated.

FISCAL YEAR 1926-27

REVENUE

Coming now to the fiscal year 1926-27, we estimate that our ordinary revenue for the current fiscal year will be \$393,100,000 which, with special receipts from reparations payments of \$1,700,000, will give a total revenue for the year of about \$394,800,000. This is an increase of some \$11,900,000 over the revenues for the year 1925-26.

Certain revenue services will show increases as follows: customs duties, \$14,100,000; excise duties, \$4,500,000; excise taxes (that is, sales, stamps, etc.), \$5,900,000; interest on investments, \$600,000; and from miscellaneous sources, \$500,000; making a total increase from these sources of some \$25,600,000.

Other sources of revenue will show decreases as follows: income tax, \$8,600,000; delayed business profits tax, \$500,000; post office receipts, \$3,300,000; and from miscellaneous sources, \$1,300,000; making total decreases from these sources of over \$13,700,000. The net increase in revenues will therefore be some \$11,900,000.

EXPENDITURES

The estimated expenditures for the year are: ordinary expenditures, \$324,500,000; special expenditures, \$5,300,000; capital expenditures, \$20,100,000; loans to Canadian National Railways, \$10,000,000; and loans to the Quebec Harbour Commission, \$700,000; a total of \$360,600,000; being an increase of \$5,400,000 over expenditures for the previous year.

Our estimated total expenditures of \$360,600,000 deducted from our estimated revenues of \$394,800,000 will leave a surplus of \$34,200,000 of revenues over expenditures. To arrive, however, at the probable reduction of over \$31,000,000 in our net debt it will be necessary to deduct from this surplus \$2,900,000 representing a reduction in the value of Soldier Settlement loans which at the close of our previous year appeared in the balance sheet as a live asset.

Chapter 53 of the Statutes of 1925 amended the Soldier Settlement Act of 1919 and provided for the revaluation of live stock purchased for settlers by the Soldier Settlement Board. The Act provided that a reduction of 40 per cent on the purchase price be allowed to soldier settlers for whom live stock was purchased prior to October 1, 1920, and a reduction of 20 per cent to soldier settlers for whom purchases were made between October 1, 1920, and October 1, 1921. Calculations have now been made which will reduce our assets, subject to minor amendments, by some \$2,900,000.

With the permission of the House I shall place on Hansard a comparative summary setting out the actual revenues and expenditures by services for 1925-26 and the corresponding estimated revenues and expenditures for the present fiscal year.

There are other statements which, with the approval of the House, I shall also place on Hansard:—

First: Statement of our estimated ordinary revenues, by services, amounting to \$393,150,000, together with the percentages of such services to the total of the ordinary revenues as estimated.

Second: Statement of the estimated expenditures, by services, for the present fiscal year, showing the various amounts and their percentages to the total expenditures.

REVENUES AND EXPENDITURES

—	Actual, 1925-26	Estimated, 1926-27	Increase	Decrease
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
ORDINARY REVENUE				
Taxation Revenue—				
Customs Duties.....	127,355,143 50	141,500,000 00	14,144,856 50	
Excise Duties.....	42,923,549 03	47,500,000 00	4,576,450 97	
War Tax Revenue—				
Excise Taxes (Sales, Stamps, etc.)....	98,097,105 81	104,000,000 00	5,902,894 19	
Income Tax.....	55,571,961 57	46,900,000 00		8,671,961 57
Business Profits Tax	1,173,448 55	650,000 00		523,448 55
Miscellaneous Taxes	2,453,803 60	2,450,000 00		3,803 60
Total Taxes....	327,575,012 06	343,000,000 00	24,624,201 66	9,199,213 72
Interest on Investments.	8,535,085 77	9,200,000 00	664,914 23	
Post Office.....	30,334,575 02	27,000,000 00		3,334,575 02
Dominion Lands.....	2,803,513 22	3,300,000 00	496,486 78	
Canada Grain Act.....	2,685,592 39	2,700,000 00	14,407 61	
Miscellaneous.....	8,811,727 12	7,950,000 00		861,727 12
Total Ordinary Revenue.....	380,745,505 58	393,150,000 00	25,800,010 28	13,395,515 86
Special Receipts and Credits on Consoli- dated Fund.....	2,147,503 48	1,720,000 00		427,503 48
Total.....	382,893,009 06	394,870,000 00	25,800,010 28 13,823,019 34 11,976,990 94	13,823,019 34

REVENUES AND EXPENDITURES—*Con.*

	Actual, 1925-6	Estimated 1926-27	Increase	Decrease
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
ORDINARY EXPENDITURE				
Interest on Public Debt.	130,691,493 21	129,500,000 00		1,191,493 21
Pensions.....	37,203,699 65	37,790,000 00	586,300 35	
Subsidies to Provinces..	12,375,128 50	12,516,740 00	141,611 50	
Soldier Land Settlement	1,237,420 87	1,300,000 00	62,579 13	
Soldiers' Civil Re-es-				
tablishment.....	7,705,584 26	7,200,000 00		505,584 26
Customs and Excise.....	9,717,919 54	10,450,000 00	732,080 46	
Post Office.....	30,499,685 74	30,820,000 00	320,314 26	
National Defence.....	12,649,203 29	12,700,000 00	50,796 71	
Agriculture.....	5,771,475 71	5,900,000 00	128,524 29	
Public Works, charge-				
able to Income.....	13,416,044 76	13,400,000 00		16,044 76
Dominion Lands and				
Parks.....	3,638,536 86	4,328,000 00	689,463 14	
Trade and Commerce..	4,569,706 97	4,800,000 00	230,293 03	
Civil Government.....	10,779,338 25	11,000,000 00	220,661 75	
All other Expenditure..	40,405,241 53	42,773,000 00	2,367,758 47	
Total Ordinary Ex-	320,660,479 14	324,477,740 00	5,530,383 09	1,713,122 23
penditure.....				
Special Expenditure—				
Adjustment of War				
Claims.....	191,392 79	155,000 00		36,392 79
Discount and expenses				
of Loan Flotations..	3,523,925 13	3,290,000 00		233,925 13
Miscellaneous charges				
to Consolidated				
Fund.....	2,806,166 96	1,840,000 00		966,166 96
Capital Expenditure—				
Public Works.....	4,805,949 43	3,298,000 00		1,507,949 43
Railways and Canals..	11,992,599 49	16,840,000 00	4,847,400 51	
Loans and Advances				
Non-Active—				
Loans to Canadian				
National Railways..	10,000,000 00	10,000,000 00		
Loans to Canadian				
Government Mer-	668,000 00			668,000 00
chant Marine.....				
Loans to Quebec Har-	511,000 00	700,000 00	189,000 00	
bour Commission...				
Miscellaneous Non-Act-	26,909 95			26,909 95
ive Accounts.....				
Grand Total Expen-	355,186,422 85	360,600,740 00	10,566,783 60	5,152,466 49
diture.....			5,152,466 49	
			5,414,317 11	
Surplus of Revenues over				
Expenditures.....	27,706,586 17	34,269,260 00		
Less reductions in As-				
sets due to revalua-				
tion of Soldier Land				
Settlement loans for				
purchase of live				
stock as authorized				
by Chap. 53, Acts of				
1925. Amount writ-				
ten off to Consolidat-		2,903,000 00		
ed Fund.....				
Net Decrease of	27,706,586 17	31,366,260 00		
Debt.....				

ESTIMATED ORDINARY REVENUE

FOR FISCAL YEAR 1926-27

	Estimated Revenue	Percentage of total Revenue
	\$ cts.	
<i>Special War Tax Revenue:—</i>		
Excise Taxes (Sales, Stamps, etc.).....	104,000,000 00	26.45
Income Tax.....	46,900,000 00	11.93
Delayed Business Profits Tax.....	650,000 00	0.17
Miscellaneous War Taxes.....	2,450,000 00	0.62
Total Special War Tax Revenues.....	154,000,000 00	39.17
Customs Import Duties.....	141,500,000 00	35.99
Excise Duties.....	47,500,000 00	12.08
Total Revenue from Taxation.....	343,000,000 00	87.24
Interest on Investments.....	9,200,000 00	2.34
Post Office Revenue.....	27,000,000 00	6.87
Miscellaneous Receipts.....	13,950,000 00	3.55
Total Ordinary Revenue.....	393,150,000 00	100.00

ESTIMATED EXPENDITURE FOR 1926-27

	Amount	Percentage of total expenditure
	\$ cts.	
PRINCIPAL EXPENDITURE ATTRIBUTABLE TO THE WAR		
Interest on Public Debt (Increase over 1914).....	116,607,000 00	32.34
War Pensions.....	36,650,000 00	10.16
Soldiers' Civil Re-Establishment.....	7,200,000 00	2.00
Soldier Land Settlement (Administration).....	1,300,000 00	0.36
Imperial War Graves Commission.....	810,000 00	0.22
Battlefields Memorials.....	200,000 00	0.06
Adjustment of War Claims.....	155,000 00	0.04
	162,922,000 00	45.18
OTHER FIXED AND PUBLIC DEBT CHARGES		
Interest on Public Debt (as of 1914).....	12,893,000 00	3.58
Other Pensions.....	1,140,000 00	0.32
Superannuation.....	1,500,000 00	0.41
Subsidies to Provinces.....	12,516,740 00	3.47
Discount and Expenses of Loans.....	3,290,000 00	0.91
Premium, Discount and Exchange.....	25,000 00	0.01
	31,364,740 00	8.70
GENERAL EXPENDITURE		
Charges of Management.....	1,000,000 00	0.28
Civil Government.....	11,000,000 00	3.05
Administration of Justice.....	2,187,000 00	0.60
Legislation.....	2,466,000 00	0.68
Elections.....	1,950,000 00	0.54
Penitentiaries.....	1,765,000 00	0.49
Agriculture.....	5,900,000 00	1.64
Immigration and Colonization.....	2,523,000 00	0.70
Health.....	680,000 00	0.19
National Defence.....	12,700,000 00	3.52
Royal Canadian Mounted Police.....	2,200,000 00	0.61
Public Works—Chargeable to Income.....	13,400,000 00	3.72
Railways and Canals—Chargeable to Income.....	1,540,000 00	0.43

ESTIMATED EXPENDITURE FOR 1926-27—*Concluded*

	Amount	Percentage of total Expenditure
	\$ cts.	
Canada Highways.....	1,100,000 00	0-30
Mail Subsidies.....	1,120,000 00	0-31
Ocean and River.....	2,600,000 00	0-72
Lighthouse and Coast.....	2,550,000 00	0-71
Steamboat Inspection.....	133,000 00	0-04
Fisheries.....	1,470,000 00	0-41
Mines and Geological Surveys.....	630,000 00	0-17
Scientific Institutions.....	960,000 00	0-27
Indians.....	3,843,000 00	1-06
Government of the Northwest Territories.....	374,000 00	0-10
Remission of Excise Taxes on automobiles.....	1,690,000 00	0-47
Miscellaneous.....	2,300,000 00	0-64
Government of the Yukon Territory.....	187,000 00	0-05
Customs and Excise (Outside Service).....	10,450,000 00	2-90
Post Office (Outside Service).....	30,820,000 00	8-55
Public Works—Collection of Revenue.....	1,000,000 00	0-28
Railways and Canals—Collection of Revenue.....	2,400,000 00	0-66
Dominion Lands and Parks.....	4,328,000 00	1-20
Trade and Commerce.....	4,800,000 00	1-33
Labour.....	1,400,000 00	0-39
Public Printing and Stationery.....	170,000 00	0-05
Miscellaneous Consolidated Fund Charges.....	1,361,100 00	0-38
Capital Expenditure—		
Public Works—Including Marine Department.....	3,298,000 00	0-91
Railways and Canals.....	2,840,000 00	0-79
Welland Ship Canal.....	14,000,000 00	3-88
	155,135,100 00	43-02
Total Estimated Expenditure on Government Services	349,421,840 00	96-90
OTHER EXPENDITURES		
Loans to Canadian National Railway.....	10,000,000 00	2-77
Loans to Quebec Harbour Commissioners.....	700,000 00	0-20
Home Bank Creditors' Relief Act.....	478,900 00	0-13
Grand Total.....	360,600,740 00	100-00

THE NATIONAL DEBT

Mr. Speaker, may I now say a word on the Redemption of Debt. On the 1st of October and the 15th November, 1926, the two-year 4 per cent notes amounting to \$35,000,000 and \$8,000,000 respectively, or a total of \$43,000,000, matured and were redeemed. The withdrawal of this \$43,000,000 of interest bearing bonds in the hands of the public will result in the saving to Canada of an annual interest charge of \$1,720,000.

On the 7th of June last when the Bill giving borrowing powers to meet loans maturing in 1926-27 was before the House, in reply to a question asked in this connection, I stated that we hoped out of current cash resources to take care of the loans maturing during 1926, amounting to \$43,000,000. I made this statement knowing that at the close of the fiscal year 1925-26 we had on hand assets in cash of \$27,068,121.38, which with accruing surpluses would enable us to retire these maturities.

MATURITIES, 1927

On the 15th November, 1927, the three-year 4 per cent notes amounting to \$8,000,000 will mature. We hope to be able to redeem this loan in cash, thereby making a further saving in annual interest of \$320,000.

On the 1st November, 1927, the 5½ per cent renewal loan of 1922, amounting to \$29,068,400, will also mature. If our finances permit we will redeem at least a portion of this loan in cash; the balance, if any, will be redeemed by the flotation of a new loan at a reduced rate of interest.

On the 1st December, 1927, a portion of the 1917 Victory Loan, 5½ per cent tax-free, amounting to \$63,437,250, will mature. This loan will be redeemed by the flotation of a new loan at a reduced rate of interest.

Such refinancing will result in a further annual saving in our interest charges of approximately \$1,000,000.

EXPENDITURES BY GOVERNOR GENERAL'S WARRANTS

May I now say a few words on the method employed to carry on financial obligations by way of expenditures during the present year. There seems to be a general belief that owing to the method of obtaining supply by Governor General's Warrants, considerable saving in our usual expenditures was affected. Examination of the expenditures during this period does not show such a result.

On the 28th June last the then Prime Minister resigned. The following day the Leader of the Opposition took office. On the 2nd July the members on arriving for the purpose of attending the sitting of the House found that dissolution had taken place. The Right Hon. Mr. Meighen was faced with the problem of insufficient supply until a duly elected House could assemble. Before dissolution one-quarter of the main estimates, or supply sufficient for the months of April, May and June, had been authorized by interim supply. The new Government had recourse to the issue of Governor General's Warrants. Warrants were obtained during the months of July, August and September, amounting to \$48,708,473.11. Examination of the records shows that for the most part these warrants were issued for services contained in the main estimates, one-quarter of which had been voted by Parliament by way of interim supply.

In addition these warrants covered a number of services set out in the supplementary estimates which were tabled but no portion of which had been voted. As stated, the total amount of Governor General's Warrants issued under the brief administration of the Right Hon. Mr. Meighen was \$48,708,473.11.

Expenditures for the corresponding period of the previous year were \$49,000,000, practically the same amount as covered by the warrants issued by the Meighen administration. It will thus be seen that practically no savings in expenditures under Governor General's Warrants were made in that period.

The present Prime Minister resumed office on September 25, 1926. The duly elected members of the new House were summoned for the 9th of December. In the meantime, pending the meeting of the House, it was necessary for the present administration to supplement the previous Governor General's Warrants by amounts necessary to meet requirements for the months of October and November for the salaries of public officials and for the financing of contracts, works, etc., which it found the country obligated to carry on. To meet such expenditures warrants were issued in October for \$15,612,796.74, and in November for \$16,350,712.97, or a total of \$31,963,509.71. Expenditures for the corresponding months of the previous year were \$30,497,921.52. Thus, the total amount of Governor General's Warrants issued during the year amounted to \$80,671,982.82, while the total expenditures for similar services (as covered by the Governor General's Warrants) for the corresponding period of the year before was \$79,500,000, or a million less than the total warrants.

FORECASTS OF REVENUES AND EXPENDITURES

We come now to the probable revenues and expenditures for the coming fiscal year. The revenues which we will receive during the financial year 1927-28 may be lessened as compared with the estimated revenues for the present fiscal year by the amount of \$27,000,000, representing the remission to the public of taxes which we intend in this budget to submit for the approval of Parliament. But, Sir, there is every prospect of increasing business activities. I, therefore, anticipate that our revenues, notwithstanding our further reductions in taxation, will be equal to the revenue we will receive during the present year, and I hope that we may have a slight increase.

On the expenditure side we have obligations slightly in excess of those for the present fiscal year. Having due regard to the maintenance of efficiency in the public services we will endeavour to keep our actual expenditures to the lowest possible amount. I believe that we should bend all our energies towards reducing burdensome taxation as rapidly as our revenues will permit; but we should also continue the practice of the present and preceding year of retiring in part, or in whole, at maturing

dates, outstanding bonded indebtedness in the hands of the public. In other words, the refinancing of any maturing loans should be for a reduced amount.

TRADE

The fiscal year does not end until the 31st of March, so the trade statement is limited to the nine months period ending December 31. In that period our imports increased over those of the same nine months in 1925 by \$81,000,000, while our exports decreased \$44,000,000. Our international trade for the nine months totalled \$1,762,000,000, of which our imports represented \$766,763,000 and our exports \$995,286,000, leaving a favourable balance of trade for the nine months of \$228,523,000. Preliminary calculations for the month of January increase this favourable balance and it is anticipated that at the close of the fiscal year the favourable trade balance may approximate \$250,000,000.

But, Sir, when comparing trade statistics quotations in dollars are not always conclusive tests. The exports of farm products form an important portion of our exports. The production and marketing of these products are affected in various ways: sometimes crops fail, the prices of commodities fluctuate, conditions in other lands entirely beyond our control expand or restrict the purchasing capacity of our customers. For example, in the period under review we exported oats to the value of \$8,000,000, which, owing to a small crop in Canada, ocean transportation difficulties and the British strike troubles, was \$14,000,000 less than in the same period of the previous year. Canadian climatic conditions in the month of December interfered with the export of wheat, there being a decrease in that month alone of \$26,000,000 of wheat exports. A third item showing a pronounced decrease in the export columns is gold bullion and quartz. In the nine months period of 1925 we exported \$23,600,000 of this precious metal; in 1926 we exported but \$5,000,000 worth. This was not in consequence of any curtailment in the production, but simply because the gold was refined and held in Canada.

EXPANDING MARKETS

The products of Canadian factories continue to go farther afield and in increasing quantities. The export of rubber goods, chiefly tires for vehicles, increased from \$13,800,000 to \$19,000,000. We exported 7,596,000 barrels of flour, as compared with 7,224,000 barrels in the same period of the year

before. Another increase is in newsprint, our exports for nine months increasing to \$85,700,000, thus exceeding the nine months of 1925 by over \$12,000,000.

A detailed classification of the imports is published in the monthly reports of the Department of Trade and Commerce, but, broadly speaking, it may be said that commodities imported for further manufacture show the most pronounced increases. The following table gives the quantities imported of certain goods, classified for statistical purposes as goods imported for further manufacture:—

IMPORTS FOR CANADIAN INDUSTRIES (NINE MONTHS ENDED
DECEMBER 31)

		1921	1925	1926
Crude petroleum.....	Gal.	328,636,451	434,101,839	531,069,795
Raw cotton.....	Lb.	63,083,139	83,070,113	89,199,961
Raw hides.....	"	22,100,681	37,097,685	42,092,035
Auto engines.....	No.	7,710	53,315	59,037
Raw tobacco.....	Lb.	15,364,513	11,592,721	12,749,190
Lumber.....	M ft.	95,262	103,472	134,434
Raw wool.....	Lb.	7,784,980	9,121,504	11,049,723
Nails and tops.....	"	4,779,893	4,304,670	5,728,795
Raw sugar.....	"	583,799,882	941,480,573	902,030,400
Manila and sisal grass.....	"	12,148,500	27,187,800	30,941,700
Copper bars and rods.....	"	7,856,900	20,924,300	13,201,900
Raw silk.....	"	255,072	368,427	459,974
Hemp.....	"	5,780,200	19,494,500	10,004,800
Alumina.....	"	13,774,300	90,439,700	103,270,700
Oil for soap industry.....	Gal.	821,094	1,711,331	2,501,074
Sulphur.....	Lb.	136,181,466	266,821,707	346,389,800
Cotton seed oil, crude.....	"	28,922,150	18,184,195	13,795,422
Iron ore.....	Tons	643,043	1,031,752	1,443,874
Raw cocoa.....	Lb.	11,691,000	11,050,000	9,765,900
Rubber hard, recovered, etc.....	"	1,972,522	10,354,382	11,838,886
Raw rubber.....	"	13,205,683	33,216,396	31,596,542
Peanut oil, crude.....	"			13,340,319
Rolling mill products.....	Cwt.	4,289,497	10,532,622	13,780,928
Manganese oxide of.....	Lb.	543,886	114,253,720	41,444,800
Grease for soap and leather.....	"	12,808,347	9,390,184	14,510,268
Tin in blocks, ingots, etc.....	"	1,904,000	3,218,400	3,885,400
Pigs and ingots of iron.....	"	47,641,400	82,160,000	81,012,900
Auto parts, n.o.p.....	\$	6,610,442	15,922,965	20,277,498
Raw furs.....	\$	3,038,935	4,787,180	5,942,424
Axles for vehicles.....	\$	1,133,157	2,579,949	1,866,048
Silk cloth to be dyed.....	\$		1,451,588	2,450,719
Celluloid in lumps, sheets, etc.....	\$	389,233	1,052,520	1,244,888
Gums and resins.....	\$	1,459,757	2,094,155	2,476,503
Silver in bars, etc.....	\$	499,169	784,289	714,458
Leather unmanufactured.....	\$	3,269,973	2,876,705	3,909,334

The nine months imports thus classified had a value of \$128,000,000 in 1921 and \$224,000,000 in 1926. A prosperous and busy Canada permits its citizens to be more generous in their purchases, thus taking more of the products of our factories, and Canadian factories working full time require larger supplies of raw and semi-manufactured materials, part of which are necessarily imported from other lands.

The policy of the Government has been to promote friendly trade relations with other countries, and particularly to

strengthen our trade ties with the Empire. Canada introduced the policy of preferential tariffs within the British Empire and the extent of our Empire trade fully justifies the expectations of those who originated the British Preference. Bearing in mind the industrial difficulties of the Mother Country during the past year, our trade with the Empire during the period under review was satisfactory.

The following summary divides the trade into three classes: trade with the United Kingdom, trade with other parts of the Empire, and trade with foreign countries:—

TRADE WITH THE UNITED KINGDOM

(Nine Months ending December 31)

Year	Imports	Exports
	\$	\$
1924.....	111,952,954	332,422,536
1925.....	122,987,713	428,468,249
1926.....	123,965,458	379,658,793

TRADE WITH OTHER PARTS OF THE EMPIRE

(Nine Months ending December 31)

Year	Imports	Exports
	\$	\$
1924.....	33,346,904	60,205,310
1925.....	31,359,564	65,394,284
1926.....	36,603,035	70,838,840

TRADE WITH FOREIGN COUNTRIES

(Nine months ending December 31)

Year	Imports	Exports
	\$	\$
1924.....	447,189,194	445,681,959
1925.....	531,402,586	546,184,424
1926.....	606,194,549	544,788,509

TAXATION REDUCTIONS

Of special interest to every citizen is the amount of taxation that he is called upon to pay. The flourishing condition of our finances again enables us to substantially reduce taxation. This we promised the electors we would do, and to-day we implement that promise.

It is proposed to make a reduction of 10 per cent in all rates of the Income Tax.

It is proposed that a general cut of 20 per cent be made in the Sales Tax.

The excise tax on matches will be cut 25 per cent.

It is proposed that a flat rate of two cents, irrespective of the value involved, be set on all cheques, bills of exchange, promissory notes and similar documents exceeding ten dollars in value thus substantially reducing the tax and at the same time removing the complications of a graduated scale. The stamp tax on overdrafts and advances will be abolished. The exemption from stamp tax on cheques, bills, etc., is increased from five dollars to ten dollars. These reductions amount to practically seventy per cent of the stamp taxation and so practically abolish what the man in the street terms the "nuisance taxes."

Representations have been made seeking total or partial exemption from taxation of money gifts to hospitals and higher educational institutions, but difficulties of administration thus involved might prove insurmountable. It is felt that the same worthy end is attained by the general reduction now being made in the amount of income tax payable.

The proposed reductions in the Income Tax will be applicable to assessments falling due shortly.

The reductions in the Sales Tax become effective to-morrow.

The proposed reductions in the tax on matches and in the stamp taxes will become effective on the Diamond Jubilee of Confederation.

NO TARIFF CHANGES

In April last an Advisory Board on Tariff and Taxation was created. Since then the Board has been instructed to investigate and report on fifty-two applications for tariff changes. Of these applications, one was sent by my immediate predecessor in office, the balance by myself. The Board has proven to be a popular tribunal, but has only been operating a few months. The holding of numerous public hearings and the making of intensive investigations have taken much time, and, as certain of the applications are interlocking, inquiries are not yet completed. Everything considered, it has appeared to my colleagues and myself the part of wisdom to propose no changes in the customs tariff at the present session of Parliament.

TAXES REDUCED EACH YEAR

To-day, as already mentioned, it has been my privilege to present my fourth annual statement of the Dominion of Canada. Each year the expenditures have been less than our revenues, enabling us to make reductions in most of the taxation rates. Readjustments and reduction of customs duty resulted, as predicted, in greater and more profitable production to manufacturers, and users of implements so essential to all engaged in the basic industries of our country. From a long

and varied list of articles the sales tax has been materially reduced. Each year we have been able to lighten the burden and relieve Canadians from some of the war or "nuisance" taxes. From year to year income tax exemptions were made; last year increased exemptions and substantial reductions in rates were announced. Penny postage was restored and the receipt tax abolished. The estimated combined decreases in revenues totalled many millions of dollars, yet the financial condition of the Treasury was never better than it is to-day—proof conclusive of the solid prosperity of Canada and of the Canadian people, and may I be permitted to add, of economical and prudent administration of their affairs.

\$27,000,000 TAXATION CUT THIS YEAR

The reductions in our sources of revenue this year are equally substantial and will lighten taxation, it is estimated, to the extent of \$27,000,000. In arriving at the nature of these reductions, this year, as in those which lie behind, the aim has been to lighten the burden of every taxpayer rather than to afford relief to special groups, provinces or sections of the country. Thus moneys which otherwise would come into the public coffers are released for the use of the individual; the development of the country is encouraged; the cost of production in our industries is reduced and avenues for an increase of business are created. As an example, may the transportation facilities of the Dominion be cited. In a country so vast as Canada the charges for the carrying of goods are of primary importance both in the development of our natural resources and in the cost of living, consequently appeals are frequently made for reductions in the freight rates. Yet we must not forget that the credit of Canada, as well as the successful operation of the railways, whether private or public owned, depends upon the companies being able to show a margin of profit over expenditures. A reduction of taxation means a saving in the operating expenses to them; a relief of taxation encourages the producer to increase his yield of supplies to be carried and enables the consumer to increase his purchasing power, thus, side by side, we have a saving in operating charges and at the same time a larger volume of business, bringing closer the natural solution of our transportation problem.

Four years ago when I presented my first budget Canada was still suffering from the effects of the post-war depression. To-day all traces of that depression have disappeared; a spirit of optimism is general and our domestic and international trade is flourishing. Let us continue to build solidly; let us shun extravagance and waste; let us have faith in our future. We

can have no higher resolve in this the Diamond Jubilee year of our Confederation than as Canadians to remain forever united, and work for the lasting prosperity and progress of this our glorious land—Canada.

RESOLUTIONS

I beg to give notice that when the House resolves itself into Committee I shall move the following Resolutions:—

Resolved, That it is expedient to introduce a measure to amend The Special War Revenue Act, 1915, and to provide:—

1. (i) That the stamp tax on cheques, bills and notes, receipts for money paid by a bank, bills of exchange drawn upon persons outside of Canada according to the tenor of the bills, money orders and travellers' cheques, and post office money orders, shall on and after the first day of July, 1927, be—

Two cents in respect of each such instrument for an amount in excess of ten dollars.

(ii) That on and after the first day of July, 1927, the stamp tax on matches shall be as follows:—

On each package of matches manufactured or sold three-fourths of one cent for each one hundred matches or fraction of one hundred matches;

On each package containing not more than sixty and not less than thirty matches.. three-eighths of one cent per package;

On each package containing less than thirty matches.. . . . three-sixteenths of one cent per package.

(iii) That from and after the sixth day of July, 1927, the following stamp taxes shall be abolished, namely,—

On advances made by a bank, as imposed by paragraphs (c), (d), and (e) of subsection three of section twelve of the said Act;

On overdrafts, as imposed by paragraphs (f) and (g) of said subsection three;

On advances by any person not being a bank, as imposed by subsection 19 of said section twelve.

2. That the rate of consumption or sales tax be reduced to four per cent and that any enactment which may be founded on this Resolution number two shall be deemed to have come into force on the eighteenth day of February, 1927, and to have applied to goods imported or taken out of warehouse on and after that date, and to have applied to goods previously imported for which no entry for consumption was made, before that date.

3. That said section nineteen BBB be further amended by providing that, for the purposes of the said section, printers, publishers, lithographers and engravers shall be regarded as producers or manufacturers, and that any enactment which may be founded on this Resolution number three shall be deemed to have come into force on the eighteenth day of February, 1927.

The Minister of Finance—IN COMMITTEE OF WAYS AND MEANS—The following Resolution:—

Resolved, That it is expedient to amend The Income War Tax Act, 1917, to provide that the rates of tax be reduced by ten per centum.

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BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB *lexan. 1928*

MINISTER OF FINANCE

MEMBER FOR CHATEAUGUAY-HUNTINGDON

THE

HOUSE OF COMMONS

FEBRUARY 16, 1928



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1928



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BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, FEBRUARY 16,
1928

Hon. J. A. ROBB (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the House to go into committee of Ways and Means.

He said: Seldom have the annual statements from leaders of finance and industry throughout Canada so generally reflected such progress and prosperity as that of the year 1927; and the statement of the Nation's business, which to-day I have the honour to present, will show conclusively that, notwithstanding our annual reductions in the rate of taxation, our revenues have been ample to meet fixed charges, take care of the ever-increasing needs of a growing country, and provide also for a reduction of debt.

PUBLIC ACCOUNTS 1926-27

In the budget speech of February 17, 1927, it was estimated that the net debt would be reduced by some \$31,366,000. The Public Accounts recently tabled show that the net debt was actually reduced by \$41,896,729.33, or some \$10,500,000 more than estimated. This was due to the practice which has always been followed when estimating revenues and expenditures.

That there should be no uncertainty as to the correctness of the Public Accounts of this Dominion, I recommended to the Treasury Board that an independent audit be made of the balance sheet of the public accounts as of March 31, 1924, 1925, 1926 and 1927. The well-known firm of chartered accountants, P. S. Ross & Sons, of Montreal, Toronto and Winnipeg, were engaged and instructed to make a complete audit of the departmental accounts in question, and on the fifth of December last their certificate which is printed on page xiv of the Public Accounts for the year 1926-27, was received. Their report confirms the accuracy of the Public Accounts as submitted to Parliament and certifies that the reduction in the net debt during the period in question was \$105,942,498.65.

REVENUE 1927-28

With the permission of the House may I place on Hansard a comparative summary setting out the actual revenues and expenditures by services for 1926-27 and the corresponding estimated revenues and expenditures for the present fiscal year.

REVENUES AND EXPENDITURES

	Actual 1926-27	Estimated 1927-28	Increase	Decrease
	\$	\$	\$	\$
REVENUES				
<i>Ordinary Revenue</i>				
Taxation Revenue—				
Customs Import Duties.....	141,968,678	153,600,000	11,631,322	
Excise Duties.....	48,513,160	57,000,000	8,486,840	
War Tax Revenues—				
Excise Taxes (Sales, Stamps, etc.).....	105,613,160	88,000,000		17,613,160
Income Tax.....	47,386,309	55,300,000	7,913,691	
Delayed Business Profits Tax...	710,102	640,000		70,102
Miscellaneous Taxes.....	2,457,863	2,530,000	72,137	
Total Revenue from Taxation.....	346,649,272	357,070,000	28,103,990	17,683,262
Interest on Investments.....	8,559,401	10,190,000	1,630,599	
Post Office.....	29,069,169	31,000,000	1,930,831	
Dominion Lands.....	3,327,273	3,400,000	72,727	
Canada Grain Act.....	2,582,984	2,600,000	17,016	
Miscellaneous.....	8,507,677	8,320,000		187,677
Total Ordinary Revenue.....	398,695,776	412,580,000	31,755,163	17,870,939
<i>Special Receipts</i>				
German Reparation Payments—				
Under Dawes Plan.....	1,756,704	2,977,000	1,220,296	
Pre-Dawes Payments.....		3,790,000	3,790,000	
Miscellaneous.....		133,000	133,000	
Total Revenue.....	400,452,480	419,480,000	36,898,459	17,870,939
			17,870,939	
			19,027,520	
EXPENDITURES				
<i>Ordinary Expenditure</i>				
Interest on Public Debt.....	129,675,368	128,700,000		975,368
Pensions.....	37,902,939	39,380,000	1,477,061	
Subsidies to Provinces.....	12,516,741	12,516,741		
Soldier and General Land Settlement—Administration.....	1,250,787	1,300,000	49,213	
Soldiers' Civil-Re-establishment..	6,976,762	6,820,000		156,762
National Revenue.....	10,130,430	11,700,000	1,569,570	
Post Office.....	31,007,698	32,250,000	1,242,302	
National Defence.....	13,086,051	15,950,000	2,863,949	
Agriculture.....	5,838,941	6,490,000	651,059	
Public Works—Chargeable to Income.....	11,178,054	15,500,000	4,321,946	
Dominion Lands and Parks.....	4,251,662	4,150,000		101,662
Trade and Commerce.....	4,168,047	4,200,000	31,953	
Civil Government.....	10,865,757	11,800,000	934,243	
Other Expenditure.....	40,698,936	42,973,259	2,274,323	
Total Ordinary Expenditure.....	319,548,173	333,730,000	15,415,619	1,233,792

REVENUES AND EXPENDITURES—*Concluded*

	Actual 1926-27	Estimated 1927-28	Increase	Decrease
<i>Special Expenditure</i>	\$	\$	\$	\$
Adjustment of War Claims.....	64,485	1,660,000	1,595,515	
Discount and Expenses of Loan Flotations.....	3,278,032	12,000		3,266,032
Miscellaneous Charges to Con- solidated Fund.....	1,615,883	1,600,000		15,883
Maritime Freight Rates Act, esti- mated amount required— Canadian National Railways.....		3,395,000	3,395,000	
Other Railways.....		448,000	448,000	
<i>Capital Expenditure</i>				
Public Works.....	2,920,670	3,485,000	564,330	
Railways.....	2,792,343	4,200,000	1,407,657	
Canals.....	13,845,689	13,720,000		125,689
<i>Loans and Advances Non-Active</i>				
Canadian National Railways.....	10,000,000			10,000,000
Canadian Government Merchant Marine.....	426,817	1,000,000	573,183	
Quebec Harbour Commission.....	680,000	1,415,000	735,000	
Miscellaneous Non-Active Accounts	462,596			462,596
	355,634,688	364,665,000	24,134,304	15,103,992
			15,103,992	
			9,030,312	
Surplus of Revenue over Expendi- ture.....	44,817,792	54,815,000		
Assets written off as non-Active— Soldier Land Settlement Loans..	2,921,063	14,000,000		
Seed Grain and Relief—Ad- vances (Department of the Interior).....		2,000,000		
Net Decrease of Debt.....	41,896,729	38,815,000		

From this summary it will be seen that we estimate our ordinary revenues for the present fiscal year as \$412,580,000, which, with special receipts of \$6,900,000, (including \$6,767,000 from reparation payments, of which \$3,790,000 is in the nature of a delayed settlement) will give a total revenue for the year of about \$419,480,000, an increase of \$19,000,000 odd over the revenues for the year 1926-27.

We expect to receive from customs duties \$153,600,000, an increase of \$11,600,000 over the previous year; excise duties \$57,000,000, an increase of \$8,400,000; income tax \$55,300,000, an increase of \$7,900,000; interest on investments \$10,190,000, an increase of \$1,630,000; post office \$31,000,000, an increase of \$1,930,000; Dominion lands and certain other sources of revenue \$8,530,000, an increase of \$161,000.

The revenue services which will show decreases are,—excise taxes (sales, stamps, etc.) \$88,000,000, a decrease of \$17,600,000

under the previous year; delayed business profits tax \$640,000, a decrease of \$70,000; miscellaneous services \$8,320,000, a decrease of \$180,000.

EXPENDITURES, 1927-8

The estimated expenditures for the year are: ordinary expenditures, \$333,730,000; capital expenditures \$21,405,000; special expenditures, \$7,115,000, including \$3,843,000 to the Canadian National and other railways on account of the Maritime Freight Rates Act of 1927. In addition there are loans in cash to the Canadian Government Merchant Marine of \$1,000,000 and to the Quebec Harbour Commission of \$1,415,000. As these loans are carried in our accounts as non-active assets, the amounts are included as expenditures for the year. The total expenditures will therefore be \$364,665,000, being an increase of \$9,030,000 over expenditures for the previous year.

Mr. Speaker, with the consent of the House may I also place on *Hansard*:—

First.—Statement of our estimated ordinary revenues, by services, together with the percentage of such services to the total of the ordinary revenues as estimated.

Second.—Statement of the estimated expenditures, by services, for the present fiscal year, showing the various amounts and their percentages to the total expenditures.

ESTIMATED ORDINARY REVENUES FOR THE FISCAL YEAR, 1927-28

	Amount	Percentage of total Revenue
Special War Tax Revenue—		
Excise Taxes (Sales, Stamps, etc.).....	\$ 88,000,000	21.33
Income Tax.....	55,300,000	13.40
Delayed Business Profits Tax.....	640,000	0.16
Miscellaneous Taxes.....	2,530,000	0.61
Total Special War Tax Revenue.....	\$146,470,000	35.50
Customs Import Duties.....	153,600,000	37.23
Excise Duties.....	57,000,000	13.82
Total Revenue from Taxation.....	\$357,070,000	86.55
Interest on Investments.....	10,190,000	2.47
Post Office.....	31,000,000	7.51
Dominion Lands.....	3,400,000	0.82
Canada Grain Act.....	2,600,000	0.63
Miscellaneous Receipts.....	8,320,000	2.02
	\$412,580,000	100.00

ESTIMATED EXPENDITURES FOR THE FISCAL YEAR 1927-28

	Amount	Percentage of total expenditure
	\$	
<i>Principal Expenditure Attributable to the Great War</i>		
Interest on Public Debt (Increase over 1914).....	115,807,000	31.76
War Pensions.....	38,140,000	10.46
Soldiers' Civil Re-Establishment.....	6,820,000	1.87
Soldier Land Settlement Administration.....	1,300,000	0.36
Imperial War Graves Commission.....	574,000	0.16
Battlefields Memorials.....	200,000	0.05
Adjustment of War Claims.....	1,660,000	0.45
	164,501,000	45.11
<i>Other Fixed and Public Debt Charges</i>		
Interest on Public Debt (as of 1914).....	12,893,000	3.54
Other Pensions.....	1,240,000	0.34
Superannuation.....	1,500,000	0.41
Subsidies to Provinces.....	12,516,000	3.43
Discount and Expenses of Loan Flotations.....	12,000	
Premium Discount and Exchange.....	10,000	
	28,171,000	7.72
<i>General Expenditure</i>		
Charges of Management.....	910,000	0.25
Civil Government.....	11,800,000	3.24
Administration of Justice.....	2,166,000	0.60
Legislation.....	2,430,000	0.67
Penitentiaries.....	1,760,000	0.48
Agriculture.....	6,490,000	1.78
Immigration and Colonization.....	2,900,000	0.79
Health.....	780,000	0.21
National Defence.....	15,950,000	4.37
Royal Canadian Mounted Police.....	2,360,000	0.65
Public Works—Chargeable to Income.....	15,500,000	4.25
Railways and Canals—Chargeable to Income.....	1,369,000	0.38
Canada Highways Act.....	1,066,000	0.29
Marine Subsidies.....	867,000	0.24
Quays and River.....	3,600,000	0.99
Lighthouse and Coast.....	2,900,000	0.80
Seamant Inspection.....	130,000	0.04
Justice.....	1,600,000	0.44
Mines and Geological Survey.....	600,000	0.16
Scientific Institutions.....	1,010,000	0.28
Indians.....	4,076,000	1.12
Government of the Northwest Territories.....	415,000	0.11
Government of the Yukon Territory.....	180,000	0.05
Special grant to Maritime Provinces.....	1,600,000	0.44
Miscellaneous.....	2,726,000	0.75
National Revenue (Outside Service).....	11,700,000	3.21
Post Office (Outside Service).....	32,250,000	8.84
Public Works Collection of Revenue.....	1,000,000	0.27
Railways and Canals Collection of Revenue.....	2,550,000	0.70
Dominion Lands and Parks.....	4,170,000	1.14
Trade and Commerce.....	4,200,000	1.15
Labour.....	1,400,000	0.38
Public Printing and Stationery.....	295,000	0.08
Miscellaneous Consolidated Fund Charges.....	1,400,000	0.38
Capital Expenditure.....		
Public Works including Marine Department.....	3,485,000	0.96
Railways.....	4,200,000	1.15
Canals.....	13,720,000	3.76
	165,535,000	45.40
Total Estimated Expenditure on Government Services.....	358,207,000	98.23

ESTIMATED EXPENDITURES FOR THE FISCAL YEAR 1927-28
—Concluded

	Amount	Percentage of total expenditure
<i>Other Expenditure</i>	\$	
Maritime Freight Rates Act—Estimated Amount Required—		
Canadian National Railways.....	3,395,000	0.93
Other Railways.....	448,000	0.12
Home Bank Depositors Relief Act.....	200,000	0.06
Loans to Quebec Harbour Commission.....	1,415,000	0.39
Loans to Canadian Government Merchant Marine....	1,000,000	0.27
Grand Total.....	364,665,000	100.

SURPLUS \$54,815,000

In the statements just tabled it is estimated that ordinary revenue will amount to \$412,580,000 which, together with special receipts of \$6,900,000, gives a total estimated revenue of \$419,480,000. After deducting from this the estimated total expenditures of \$364,665,000 there will be a surplus of revenues over all expenditures of \$54,815,000.

NET DEBT REDUCED \$38,815,000

After provision has been made to the extent of \$16,000,000 for the writing down of certain Soldier Land Settlement loans and other assets, the reduction in the net debt will be \$38,815,000. Thus, during the five-year period ending March 31, 1928, after providing for writing down certain assets, we will have succeeded in reducing our net debt by \$144,700,000.

Chapter 68 of the Statutes of 1927 amended the Soldier Land Settlement Act of 1919 and provided for the revaluation of loans to settlers for the purchase of lands. The Soldier Settlement Board advise the Department of Finance that the total amount likely to be written off through this revaluation will be about \$8,000,000. We propose reducing our assets as shown in the Public Accounts at the close of the present year by this sum of \$8,000,000. The Soldier Settlement Board also advise that there will be a further loss on the re-sale of stock and equipment, as well as on farms which have reverted to the Board. Certain of these farms have been resold, but some 3,000 properties remain to be disposed of. In the opinion of the Board a loss will eventually be sustained in connection with the assets referred to of approximately \$6,000,000 which sum the government proposes to write off as a non-active asset.

It has also been deemed advisable to reduce by some \$2,000,000 active assets now carried as Seed Grain and Relief

advances, transferring this amount to non-active assets. These accounts have been running for many years and a certain number are now considered of doubtful value.

OUTSTANDING PUBLIC DEBT

Representations have been made in this House and elsewhere that, through a sinking fund properly invested, provision should be made for retirement of our total debt within a limited number of years. I do not intend to go into the merits of this proposal beyond remarking that there are opinions both for and against the adoption of a fixed plan. In the final analysis it must be recognized that a net surplus of revenues over all expenditures is the only effectual sinking fund for debt retirement. In 1845 an eminent British economist, McCulloch, dealing with the question of sinking funds and taxation, declared,—“The greater productiveness of industry and the greater well-being of the community are the real sinking funds which a wise government should exert itself to build up and encourage.” In recent years we Canadians have succeeded in reducing annually both debt and taxation; each reduction of interest bearing debt has enabled us to reduce taxation further, and while welcoming any workable plan that will ensure the retirement of our national debt, I submit that until Canada is nearer the pre-war rate of taxation, annual reduction of taxes is as important as reduction of debt. Our policy is to reduce both.

RETIREMENT OF MATURING LOANS

Mr. Speaker, total maturities for the current fiscal year, amounting to \$100,505,650, were provided for as follows:—

On the 1st and 15th November, 1927, the 5½ per cent Renewal Loan of 1922 amounting to \$29,068,400, and the 3-year 4 per cent Notes amounting to \$8,000,000 matured and were redeemed in cash.

On the 1st December, 1927, a portion of the 5½ per cent 1917 Victory Loan, tax-free, amounting to \$63,437,250 matured. We were able to redeem \$18,437,250 in cash. To meet the balance we issued 4 per cent 3-year Treasury Notes to the amount of \$45,000,000 which we sold direct to the chartered banks of Canada at par. All of the chartered banks subscribed to this issue. The sale of these Treasury Notes marks the first financing since 1912 which the Dominion Government has effected at a net cost as low as 4 per cent.

The saving in interest resulting from these transactions will be \$3,607,800 annually. An additional advantage will accrue from a further reduction in the amount of outstanding tax-free bonds, as the December 1st maturity of \$63,437,250 carried exemption from taxation.

GUARANTEED SECURITIES

Canadian National Railways

Financial requirements of the Canadian National Railways were met by an issue of \$65,000,000 4½ per cent 30-year bonds dated July 1, 1927, guaranteed by the Dominion of Canada.

This issue was made to provide for the following authorized commitments of the Railway Company:—

\$20,000,000—for the refunding of a like amount of 4 per cent Dominion guaranteed 3-year notes which matured July 1, 1927, as authorized by the Canadian National Refunding Act, 1927 (Chap. 27).

\$15,000,000—for the funding of a temporary loan obtained by the Company to finance capital expenditures and miscellaneous maturing obligations, as provided for in the Railway appropriations for the previous year, 1926-27. The vote for the year was \$31,000,000; \$10,000,000 was advanced by the Government as reported in the Budget Speech of last year and \$15,000,000 was borrowed temporarily as authorized by Vote 372, Appropriation Act, 1926-27, which vote also authorized the issue and guarantee of securities to take up the temporary loan.

\$16,600,000—to provide for expenditures authorized in the Railway appropriation for 1927-28 for general additions and betterments and miscellaneous maturing obligations as provided for by Vote 408, Appropriation Act, 1926-27—"Loans to Canadian National Railway Company".

\$4,000,000—for capital expenditures in connection with the Toronto Viaduct scheme, as authorized by the legislation of 1924 and 1925.

\$9,400,000—on account of construction of various branch lines as authorized by the special acts passed in 1924, 1925 and 1927.

Montreal Harbour Commissioners

During the year, the Government guaranteed a demand obligation of the Montreal Harbour Commissioners for \$4,000,000 in connection with the financing of the South Shore Bridge, as authorized by Chap. 58 of the Statutes of 1924. This, together with a guarantee for a similar amount, previously given, brings the total of guaranteed obligations issued in connection with this project to \$8,000,000.

Canadian National (West Indies) Steamships Ltd.

Parliament last year authorized the Government to guarantee securities of the Canadian National (West Indies) Steamships Limited to provide for the construction of steamships for

the West Indies service. A guarantee to the amount of \$8,000,000 has been executed but actual borrowing will take place only to meet cash requirements as construction proceeds. The Company has arranged for bank advances as collateral for which the guaranteed securities are to be pledged.

TRADE

The international trade of Canada is well maintained. Our fiscal year does not end for some weeks but the records for the nine months ended December 31 indicate a substantial favourable balance. This is particularly noteworthy at a time when industrial expansion and undertakings of various natures create a demand for machinery, construction material and other necessary articles not procurable in Canada. Imports of necessary supplies of raw materials for further manufacture are also on a larger scale. As we look back to the years when railways were being extended across the Dominion and Western Canada was being settled, it will be recalled that there were annual unfavourable balances of trade, the adverse balance in the calendar year 1913 being \$222,000,000, one of the highest in our history.

The League of Nations in 1927 made an interesting comparison of the international trade of the world and for this purpose took the calendar years 1913 and 1926. It was found that in 1913 only three nations had favourable trade balances. In that year the United States had a favourable trade balance of \$7.13 per capita, Argentine \$6.78 per capita, and British India 60 cents per capita. Thirteen years later there were six countries with favourable balances of trade, and Canada, which in 1913 had an unfavourable balance of \$29.61 per capita, in 1926 led the world with a favourable balance of \$29.34 per head of population. The countries so listed are:—

Country	Favourable Balance per Capita	
	\$	cts.
Canada.....	29	34
United States.....	3	22
Brazil.....	1	97
British India.....	1	01
South Africa.....	0	14
France.....	0	02

In the first nine months of the present fiscal year, viz., from April 1 to December 31, our total imports were \$823,054,094; while the total exports amounted to \$970,154,998, giving a

favourable trade balance of \$147,100,904. A comparative statement of our total trade for the same periods in the past two years follows:—

IMPORTS

	April 1st to December 31st	
	1926	1927
	\$	\$
Free.....	277,186,180	297,055,594
Dutiable.....	489,576,862	525,932,873
Electricity.....	66,508	65,627
Total.....	766,829,550	823,054,094

EXPORTS

	April 1st to December 31st	
	1926	1927
	\$	\$
Domestic Produce.....	983,924,100	950,103,367
Foreign.....	11,361,988	16,391,583
Electricity.....	3,452,786	3,660,048
Total.....	998,738,874	970,154,998

Both the decrease in exports, \$28,000,000, and the increase in imports, \$56,000,000, can be attributed principally to greater domestic demand under conditions of prosperity such as we have been enjoying. But it is also apparent that our ability to produce still exceeds our capacity to consume by a broad margin and that our exporters annually market over a billion dollars worth of goods in other lands.

TRADE WITH TREATY COUNTRIES

Favoured nation treatment is of importance alike to basic producers and to manufacturers of finished products. Our prolonged winters tend to restrict employment in some industries while others have only a short marketing season in Canada. Consequently, to maintain a high state of efficiency, export markets are to many industries, as well as to basic producers, of almost primary importance. Canada now enjoys favourable trade relations with many foreign countries to whom we sold \$157,000,000 of goods in the fiscal year 1927, purchasing in return \$78,000,000.

EMPIRE TRADE

Our trade records show that in the fiscal year 1927 we sold to the Empire goods to the value of \$542,000,000 and purchased in return \$214,000,000, collecting in duties from these imports

\$36,598,000. Sometimes comparisons are made to arrive at the average rates of duties assessed under various columns, so may it be pointed out in passing that nearly 35 per cent of the total duties collected on Empire imports was paid on \$25,711,000 of alcoholic beverages. If we except the United Kingdom from the calculations it will be noted that in the fiscal year 1927 Canada purchased from other British countries goods to the value of about \$50,000,000. On these imports \$4,267,000 were collected in customs, over 54 per cent of the total being paid as duties on sugar and spirits, thus showing in a broad way that the major portion of our imports from the British dominions and possessions consists of non-competitive and raw products. As practically all of our \$94,000,000 of exports to these British dominions and possessions are fully manufactured, the value of working for closer trade relations within the Empire is surely apparent.

REDUCTIONS IN TAXES

Provision having been made for expected expenditures in the coming fiscal year and heed taken to maturing obligations, it is with pleasure and satisfaction that once again we are in a position to propose further reductions in taxation. As an added encouragement to business, as a measure of relief to taxpayers and to those provinces where local income taxes are levied, it is proposed that the Dominion shall continue gradually to lighten the load in the income tax field. Last year a reduction of ten per cent in all rates of the income tax was announced. To-day we are able to go a step further and to propose that the income tax payable by individuals be reduced an additional ten per cent. The list of exemptions is to be increased by allowing an exemption of \$500 to those supporting dependents over twenty-one years of age who are incapable of self-support on account of mental or physical infirmity. In the case of corporations and joint stock companies, it is proposed that the tax be eight per cent net.

A general reduction of twenty-five per cent will be made in the sales tax.

THE CUSTOMS TARIFF

We come now to the customs tariff. The Advisory Board on Tariff and Taxation has concluded its hearings in respect of the textile group, excepting silk and artificial silk, and in the proposed revision there will be shown a general reduction in rates.

COTTONS

Considering first the items comprising the cotton schedule, it is proposed that the maximum under the general tariff be

reduced from $37\frac{1}{2}$ per cent to 30 per cent with a single exception.

On a large range of household cottons, and also on cotton socks and stockings, cotton underwear and cotton clothing, the rates will be materially reduced.

Coupled with the general lowering of rates on the finished products is a lowering of rates on yarns and other materials used by the manufacturers for further processes. In the proposed changes the needs of the Canadian consumer and manufacturer have been carefully considered, while incidentally the scope of the British preference has been materially widened.

WOOLLENS

In revising the woollen schedules two main considerations have been kept in mind, the vital necessity for warm clothing in a climate such as ours and the position of the Canadian mills which weave woollen and worsted cloths. It is proposed to aid the Canadian weaving industry by granting free yarns for weaving purposes. The importations of woollen and worsted yarns are large, and the concession proposed should be of material assistance to the industry.

The drawback of duty on dry spun yarns will be abolished on October 1, 1928.

Material decreases in duty will be made in the preferential rate on woollen goods imported in the gray for dyeing and finishing in Canada.

There will be a reduction in the duty on all mitts and on all but the more expensive lines of woollen underwear, socks and stockings. A reduction is also proposed on certain woollen fabrics.

LINEN, FLAX AND JUTE PRODUCTS

The classification of linens and of flax and jute products will be separated from that of cottons. The linen schedules now proposed will conform in structure to those relating to cottons and woollens.

In respect to the finer grades of linens, which are not produced in Canada, there will be reductions in the British preferential rates.

SILK AND ARTIFICIAL SILK

Practically no changes in rates are made in the silk or artificial silk items, as hearings on these groups have not been completed; but the wording of the schedules has been revised to conform to that of the cotton, woollen and linen schedules.

TEXTILE MACHINERY

As a further assistance to the textile industry, the duty on machinery incidental to the working-up of fibrous materials will be adjusted. This machinery is now entered under items 467 and 468. The Department of National Revenue find difficulty in administering these items, as one overlaps the other. It is considered advisable to merge the two items into one. The new item may result in an increase in the duty on a small portion of the imports if such imports enter under the general tariff, but the reduction under the British preferential and the intermediate tariffs will more than offset that increase. On a small part of the machinery imported under the first item there will be no change, but on a large part of the importations a reduction is proposed from ten per cent to free under the British preferential tariff and from ten per cent to five per cent under the intermediate tariff.

OTHER TARIFF CHANGES

The duty on machinery for mining and concentration of ores will be reduced. This reduction applies to locomotives for underground haulage in mining, to mine hoists of a class or kind not made in Canada, and to parts of certain mining machinery. It is proposed to make the duty on press blankets of a class or kind not made in Canada free under the British preferential tariff, five per cent under the intermediate tariff, and ten per cent under the general tariff. At present the imports of these blankets come in under the general tariff, the rates ranging from twenty to thirty-five per cent under different items.

It is proposed to reduce certain paper mill wrappings from fifteen to five per cent, British preferential tariff, and from twenty-five to ten per cent under the general tariff.

Flake calcium chloride, for road-treating purposes only, is placed on the free list.

It is proposed to make free under all tariffs non-alcoholic preparations or chemicals for disinfecting, dipping or spraying.

Crude petroleum, not in its natural state, imported for refining purposes, is made free under all tariffs until July 1, 1931.

The tariff rate on engines for fishing boats is now fifteen per cent under the general tariff. It is proposed that the parts therefor shall enter at the same rate. This is a reduction of twelve and a half per cent.

The present rates covering engines, and complete parts, for equipment of aircraft are to be extended until July 1, 1930.

It is proposed to place on the free list under all tariffs nickel chromium, in bars or rods, of a class or kind not made in Canada, for use in the manufacture of electric resistance wire.

DRAWBACKS

Assistance is given the publishing industry by granting a drawback of 80 per cent on certain papers used in the production of magazines.

A drawback of 99 per cent is granted on bituminous coal used in melting or evaporating salt produced in Canada.

A drawback of 60 per cent is to be allowed on materials used in the manufacture of various tools when at least fifty per cent of the production cost has been incurred in Canada.

A drawback of 50 per cent is given on materials used in the manufacture of engines for the equipment of aircraft. After July 1, 1930, no drawback shall be paid unless at least 40 per cent of the cost of producing the finished engine has been incurred in Canada.

The Department of National Revenue has difficulty in administering the present tariff item 531 covering cloth for bookbinding. This item is repealed; a drawback of 99 per cent is granted instead. This will give the bookbinders practically the same concession.

The following statement classifies the proposed changes according to the industries affected:—

	Preferential Tariff		General Tariff	
	Old Rate	Proposed Rate	Old Rate	Proposed Rate
<i>Mining Industry—</i>				
Xanthates and cresylic acid for concentrating ores and minerals.....	15 p.c.	Free	17½ p.c.	Free
Locomotives and motor cars for underground haulage.....	22½ p.c.	10 p.c.	35 p.c.	20 p.c.
Mining hoists of a class or kind not made in Canada.....	15 p.c.	10 p.c.	27½ p.c.	20 p.c.
Machinery for concentration of ores and minerals.....	15 p.c.	10 p.c.	27½ p.c.	20 p.c.
<i>Printing and Publishing Industry—</i>				
Press blankets.....	22½ p.c.	Free	35 p.c.	10 p.c.
Drawback on paper used in the production of magazines.....	80 p.c.	—	—	—
<i>Fruit and Horticultural Industries—</i>				
Small onion plants for transplanting or propagation purposes.....	15 p.c.	Free	17½ p.c.	Free
Preparations or chemicals for disinfecting, dipping or spraying.....	10 p.c.	Free	20 p.c.	Free

	Preferential Tariff		General Tariff	
	Old Rate	Proposed Rate	Old Rate	Proposed Rate
<i>Fishing—</i>				
Aluminum floats of a class or kind not made in Canada....	15 p.c.	Free	25 p.c.	Free
Parts of engines for fishermen's boats.....	15 p.c.	10 p.c.	27½ p.c.	15 p.c.
<i>Road-Making—</i>				
Flake calcium chloride for road-treating. Per 100 pounds.....	10 cents	Free	15 cents	Free
<i>Aviation—</i>				
Engines and complete parts thereof for the equipment of aircraft.....	Present rates continued until July 1, 1930.			

A drawback of 50 p.c. will be allowed on materials used in the manufacture of aircraft engines. After July 1, 1930, no drawback will be paid unless at least 40 p.c. of the cost of production has been incurred in Canada.

Mechanics' Tools.—A drawback of 60 p.c. will be allowed on materials used in the manufacture of certain tools, when at least 50 p.c. of the cost of producing the finished article has been incurred in Canada.

Salt Industry.—A drawback of 99 p.c. will be allowed on coal used in producing salt.

It is estimated that the reduction in taxation will be \$19,000,000.

In order to foster Empire trade there is a general tendency in the Dominions and the Mother Country to increase the percentage of cost of production requirements on goods receiving the benefit of the British preferential tariff. At present Canada requires 25 per cent to be Empire labour and materials. It is proposed to double this percentage. There will be similar increases in the percentages required on goods entering under treaty rates and the intermediate tariff.

In summing up the statement presented to-day little need be said, because, Sir, the figures, speaking for themselves, require no words to emphasize the sound position of the Dominion's balance sheet. A general tone of optimism exists throughout Canada, nevertheless may I be permitted a word of friendly caution as to the future.

To-day we are widening the inhabited frontiers, penetrating and developing our great northern domains. Federal and provincial governments, transportation companies, commercial corporations and individuals share in the work. It is a national undertaking of importance, for it not only develops Canada in a material way, but in addition, gives a better balance to our geographical groupings of population. Should we not profit by experiences of the past and keep this expansion within proper economic bounds, so that at no time will undue strain be placed either on the resources of the governments or of the investors.

In May, 1922, the first post-war budget presented by the government of the Rt. Honourable Mackenzie King was submitted to this House. Business was then passing through a period of depression and a deficit of \$81,000,000 was announced. With a view to balancing the budget expenditures were reduced, taxation re-adjusted and measures of relief to basic industries enacted. Thus by policies beneficial to all parts of Canada, national development both in industry and population, has been encouraged. Canadians are returning home, desirable types of immigrants are attracted and Canada is once more building solidly for the future.

A spirit of hopefulness has been developed and as we entered the present calendar year one could not help but note that leaders of industry and finance emphasized that the present prosperous conditions sprang from the solid growth and solvency of the basic industries of Canada.

With revenues now buoyant there is a tendency to have the Dominion embark on many new ventures, as well as a tendency towards indiscriminate private speculation. We should not, however, forget our national debt. Work and thrift are the only sure roads to success. The generation that spent the money should not shirk its responsibilities. Further taxation reductions will become possible as Canada progresses, but national progress is dependent on the wholesome goodwill we practise towards one another.

RESOLUTIONS

I beg to give notice that when the House resolves itself into committee I shall move the following resolutions:—

THE CUSTOMS TARIFF

1. Resolved, That it is expedient to amend Schedule A to The Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, by striking thereout tariff items 219a, 236, 267b, 277, 291, 438, 442, 453e, 462, 465, 467, 468, 494a, 520, 521, 522, 523, 524, 524a, 524b, 525, 526, 527, 528, 529, 530, 531, 532, 533, 533a, 533b, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 543a, 544, 544a, 545, 546, 547, 548, 548a, 549, 550, 551, 552, 553, 553a, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 568a, 569, 570, 571, 572, 573, 573a, 574, 575, 575a, 575b, 576, 577, 578, 579, 580, 581, 581a, 582, 583, 583a, 583aa, 583b, 583c, 583d, 590c, 610, 620, 621, 626, 627, 630, 631, 638, 638a, 639, 641, 643, 644, 645, 646, 681, 683, 721, 732, 734, 740, 750, 753, 764, 765, 772, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of said items, and by repealing Order-in-Council, P.C. 2158, dated the 9th day of November, 1927, designated as Item 790 of The Customs Tariff, and the following items, enumerations and rates of duty are inserted in Schedule A:—

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff
87	Small onion plants grown from seeds and imported for <i>bona fide</i> transplanting or propagation purposes only.....	Free	Free	Free
192a	Paper bound in rolls not less than nine one-thousandths of an inch in thickness for use in wrapping rolls of paper.....	5 p.c.	7½ p.c.	10 p.c.
208d	Flake calcium chloride for road-treating purposes only.....	Free	Free	Free
208e	Xanthates, cresylic acid and compounds of cresylic acid, used in the process of concentrating ores, metals or minerals.....	Free	Free	Free
219a	Non-alcoholic preparations or chemicals for disinfecting, dipping or spraying, n.o.p.....	Free	Free	Free
236	Surgical dressings, antiseptic or aseptic, including absorbent cotton, lint, lamb's wool, tow, jute, oakum, woven fabric of cotton weighing not more than seven and one-half pounds per one hundred square yards, whether imported singly or in combination one with another, but not stitched or otherwise manufactured; surgical trusses and suspensory bandages of all kinds; sanitary napkins, spinal braces and abdominal supports.....	12½ p.c.	17½ p.c.	20 p.c.
267b	Crude petroleum not in its natural state .725 specific gravity or heavier at 60 degrees temperature, when imported by oil refiners to be refined in their own factories.....	Free	Free	Free
	On and after 1st of July, 1931, per gallon.....	3/10 ct.	4/10 ct.	1/2 ct.
277	Palm and palm kernel oil, unbleached or bleached, not edible; shea butter.....	Free	Free	Free
350b	Nickel chromium, in bars or rods not more than three-fourths of an inch in diameter, containing more than sixty per cent nickel and more than ten per cent chromium, of a class or kind not manufactured in Canada, when imported by manufacturers of electric resistance wire and electric resistance strip or ribbon for use only in the manufacture of such articles in their own factories.....	Free	Free	Free
438	Locomotives and motor cars for railways and tramways, and chassis, tops, wheels and bodies for same, n.o.p.....	22½ p.c.	30 p.c.	35 p.c.
438e	Locomotives and motor cars for railways and tramways, of a class or kind adapted for underground haulage for use only in mining operations.....	10 p.c.	15 p.c.	20 p.c.
442	Printing presses, lithographic presses, and type making accessories therefor, also machines specially designed for ruling, folding, binding, embossing, creasing, or cutting paper or cardboard, sheet feeding machines, when for use exclusively by printers, bookbinders and by manufacturers of articles made from paper or cardboard—including parts thereof composed wholly or in part of iron, steel, brass or wood; machinery and complete parts thereof for printing by photogra-			

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
	phic methods on plates for use on lithographic and offset presses; stereotypers' and typecasters' blankets, and press blankets used in covering cylinders on rotary printing presses, of a class or kind not made in Canada.	Free	5 p.c.	10 p.c.
453e	Engines and complete parts thereof to be used exclusively in the propulsion of boats <i>bona fide</i> owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the Minister of National Revenue.	10 p.c.	12½ p.c.	15 p.c.
453g	Machinery for the concentration of ores, metals or minerals, viz.:—flotation machines, pumps, vibrating and impact screens, jigs, magnetic separators and filters, when for use in the concentration or separation of ores, metals or minerals, and integral parts of all machinery mentioned in this item.	10 p.c.	15 p.c.	20 p.c.
453h	Mine hoists of a class or kind not made in Canada.	10 p.c.	15 p.c.	20 p.c.
462	Blowers of iron or steel of a class or kind not made in Canada, for use in the smelting of ores, or in reduction, separation or refining of metals, ores or minerals; rotary kilns, revolving roasters and furnaces of metal of a class or kind not made in Canada, designed for roasting ore, mineral, rock or clay; furnace slag trucks and slag pots of a class or kind not made in Canada, and integral parts of all machinery mentioned in this item.	Free	Free	Free
465	The following articles and materials when imported by manufacturers of automatic gas buoys and automatic gas beacons, for use in the manufacture of such buoys and beacons for the Government of Canada, for marine signal purposes or for export, under regulations prescribed by the Minister, viz.:—iron or steel tubes over sixteen inches in diameter, flanged and dished steel heads made from boiler plate, over five feet in diameter; hardened steel balls, not less than three inches in diameter; acetylene gas lanterns and parts thereof; and tobin bronze in bars or rods.	Free	Free	Free
468	Machinery and apparatus, of a class or kind not made in Canada, and parts thereof, especially constructed for preparing, manufacturing, testing or finishing yarns, cordage and fabrics made from textile fibres, or for use in factory operations incidental thereto, imported for the exclusive use of manufacturers and scholastic or charitable institutions in such processes only.	Free	5 p.c.	10 p.c.
494a	Cork slabs, boards, planks and tiles produced from cork waste or granulated or ground cork.	15 p.c.	17½ p.c.	25 p.c.
520	Raw cotton and cotton linters not further manufactured than ginned; rags and waste wholly of cotton unfit for use without further manufacture, not to include used garments nor waste portions of unused fabrics.	Free	Free	Free

Tarif Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff
520a	Waste portions of unused fabrics or used garments, wholly of cotton, imported by manufacturers to be used exclusively for disintegrating, or for manufacture into wiping rags in their own factories.....	Free	Free	Free
520b	Garnetted material wholly of cotton, obtained by disintegrating yarns or fabrics, prepared for use; cotton wiping rags and wiping waste; waste portions of unused fabrics and rags and waste wholly of cotton, sold by weight, not to include remnants nor mill ends, n.o.p.....	7½ p.c.	10 p.c.	12½ p.c.
520c	Linters of short fibres of cotton, bleached, when imported by manufacturers of paper to be used only in their own factories for the manufacture of blotting paper or other grade of paper	7½ p.c.	10 p.c.	12½ p.c.
521	Batts, batting and carded sliver wholly of cotton, not bleached, coloured nor impregnated; cotton fibres, bleached or coloured, n.o.p.	5 p.c.	10 p.c.	12½ p.c.
521a	Batts, batting, sheet wadding and carded sliver wholly of cotton, n.o.p.....	7½ p.c.	15 p.c.	17½ p.c.
522	Rovings, yarns and warps wholly of cotton not exceeding number twenty, not more advanced than singles	10 p.c.	15 p.c.	20 p.c.
522a	Yarns and warps wholly of cotton exceeding number twenty, but not exceeding number forty, not more advanced than singles.....	12½ p.c.	15 p.c.	22½ p.c.
522b	Yarns and warps wholly of cotton exceeding number forty, not more advanced than singles.....	7½ p.c.	10 p.c.	15 p.c.
522c	Rovings, yards and warps wholly of cotton, including threads, cords and twines generally used for sewing, stitching, packaging and other purposes, n.o.p.; cotton yarns not more advanced than singles, wholly or partially covered with metallic strip, generally known as twisted thread	15 p.c.	22½ p.c.	25 p.c.
522d	Yarns and warps wholly of cotton, mercerised, number forty and finer, imported by manufacturers for use exclusively in their own factories...	Free	10 p.c.	15 p.c.
522e	Yarns wholly of cotton, exceeding number twenty, and not exceeding number forty, not more advanced than singles, cotton sewing thread yarn and crochet, knitting, darning and embroidery yarn, in hanks, composed of three strands or more; not bleached, coloured nor mercerised, imported by manufacturers who manufacture cotton sewing thread and crochet, knitting, darning and embroidery cottons only for use exclusively in their own factories in the manufacture of these materials	7½ p.c.	15 p.c.	20 p.c.
523	Woven fabrics wholly of cotton, not bleached, mercerised nor coloured, n.o.p.	12½ p.c.	20 p.c.	22½ p.c.
523a	Woven fabrics wholly of cotton, bleached or mercerised, n.o.p.....	15 p.c.	22½ p.c.	25 p.c.
523b	Woven fabrics wholly of cotton, n.o.p.	20 p.c.	25 p.c.	27½ p.c.
523c	Woven fabrics wholly of cotton, n.o.p., imported from various countries for use exclusively in their own factories	20 p.c.	25 p.c.	30 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff
523d	Woven fabrics wholly of cotton, imported by manufacturers of corsetry, for use exclusively in the manufacture of such articles in their own factories.....	12½ p.c.	17½ p.c.	20 p.c.
523e	Woven fabrics wholly of cotton with cut pile, n.o.p.....	17½ p.c.	25 p.c.	30 p.c.
524	Seamless cotton duck in circular form, of a class or kind not made in Canada, for use in the manufacture of hose pipe.....	Free	Free	Free
525	Sheets, pillow cases, diapers, tray cloths, quilts, counterpanes, towels, bath mats, wash cloths, table-cloths, napkins, dresser scarves, curtains, consisting of woven fabrics wholly of cotton, not further manufactured than hemmed or hemstitched, not coloured, not embroidered nor otherwise ornamented.....	15 p.c.	25 p.c.	27½ p.c.
526	Household blankets wholly of cotton, not to include horse blankets, automobile or steamer rugs nor similar articles.....	15 p.c.	22½ p.c.	27½ p.c.
527	Boot, shoe, shirt and stay laces of cotton.....	15 p.c.	25 p.c.	30 p.c.
528	White cotton bobinet, plain, in the web.....	15 p.c.	22½ p.c.	25 p.c.
529	Embroideries, lace, braids, bobinet, n.o.p.; fringes and tassels; manufactures of lace; handkerchiefs and pillow shams; curtains, n.o.p.; all articles specified in this item to be wholly of cotton.....	20 p.c.	27½ p.c.	30 p.c.
529a	Lace and embroideries wholly of cotton, not coloured, imported by manufacturers for use exclusively in the manufacture of underwear in their own factories.....	12½ p.c.	17½ p.c.	20 p.c.
530	Socks and stockings wholly or in part of vegetable fibres, but not containing silk, artificial silk nor wool, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.
531	Knitted fabric wholly of cotton, in the web, imported by manufacturers of rubber boots and shoes for use exclusively in the manufacture of such articles in their own factories.....	10 p.c.	20 p.c.	25 p.c.
532	Clothing, wearing apparel and articles made from woven or knitted fabrics and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.; fabrics wholly of cotton, coated or impregnated, n.o.p.....	22½ p.c.	25 p.c.	30 p.c.
532a	Shirts, not knitted, collars and cuffs, wholly of cotton.....	20 p.c.	30 p.c.	32½ p.c.
533	Sails for boats and ships.....	15 p.c.	22½ p.c.	25 p.c.
534	Braided candle-wick with or without wire centre or braided taper-wick with or without wire centre when imported by manufacturers of wax candles or wax tapers for use only in their own factories in the manufacture of wax candles or wax tapers.....	Free	Free	Free
535	Grasses, seaweed, mosses and vegetable fibres other than cotton, not coloured, nor further manufactured than dried, cleaned, cut to size, ground and sifted; oakum of flax, hemp, or jute; coir and coir yarn..	Free	Free	Free

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff
535a	Grasses, seaweed, mosses and vegetable fibres other than cotton, n.o.p.....	10 p.c.	17½ p.c.	17½ p.c.
535b	Rags and waste unfit for use without further manufacture, not to include used garments nor waste portions of unused fabrics, n.o.p.....	Free	Free	Free
535c	Waste portions of unused fabrics or used garments, n.o.p., imported by manufacturers to be used exclusively for disintegrating or for manufacture into wiping rags in their own factories.....	Free	Free	Free
535d	Garmented material obtained by disintegrating yarns or fabrics, prepared for use, n.o.p.; wiping rags and wiping waste, n.o.p.; waste portions of unused fabrics, rags and waste, sold by weight, not to include remnants nor mill ends, n.o.p.....	7½ p.c.	10 p.c.	12½ p.c.
536	Batts, batting, sheet wadding and carded sliver of vegetable fibres, n.o.p.....	12½ p.c.	22½ p.c.	25 p.c.
537	Rovings, yarns and warps wholly or in part of vegetable fibres, not more advanced than singles, n.o.p., not to contain silk, artificial silk nor wool.....	12½ p.c.	17½ p.c.	25 p.c.
537a	Rovings, yarns and warps wholly or in part of vegetable fibres, including yarn twist, cords and twines generally used for packaging and other purposes, n.o.p., not to contain silk, artificial silk nor wool...	20 p.c.	22½ p.c.	25 p.c.
537b	Linen thread for hand or machine sewing.....	15 p.c.	22½ p.c.	25 p.c.
537c	Rovings, yarns and warps wholly of vegetable fibres other than cotton, not to include materials for sewing, stitching nor packaging purposes, imported by manufacturers for use exclusively in their own factories in weaving fabrics or insulating wire.....	Free	10 p.c.	15 p.c.
538	Binder twine or twine for harvest binders.....	Free	Free	Free
538a	Articles which enter into the cost of the manufacture of binder twine, or twine for harvest binders, when imported for such use exclusively by manufacturers who manufacture such twine only.....	Free	Free	Free
539	Cordage, exceeding one inch in circumference, wholly of vegetable fibres, n.o.p.....	20 p.c.	22½ p.c.	25 p.c.
540	Woven fabrics, wholly of flax, or of flax and cotton, not bleached, mercerised nor coloured, n.o.p.....	15 p.c.	25 p.c.	27½ p.c.
540a	Woven fabrics, wholly of flax, or of flax and cotton, n.o.p.....	20 p.c.	30 p.c.	32½ p.c.
540b	Woven or braided fabrics wholly of flax or cotton, or both, generally known as tapes or webbing, not exceeding twelve inches in width, with cut pile or not.....	20 p.c.	27½ p.c.	30 p.c.
541	Woven fabrics, wholly of hemp, or jute, or both, not bleached nor coloured, n.o.p.....	Free	5 p.c.	10 p.c.
541a	Woven fabrics, wholly of hemp, or jute, or both, n.o.p.....	15 p.c.	22½ p.c.	25 p.c.
541b	Woven or braided fabrics, wholly of hemp or jute, or both, not exceeding twelve inches in width.....	15 p.c.	22½ p.c.	25 p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff
542	Woven or knitted fabrics, wholly or in part of vegetable fibres, and all such fabrics with cut pile, n.o.p., not containing silk, artificial silk nor wool.....	20 p.c.	27½ p.c.	30 p.c.
542a	Woven or braided fabrics not exceeding twelve inches in width, wholly or in part of vegetable fibres, n.o.p., not to contain silk, artificial silk nor wool.....	20 p.c.	27½ p.c.	30 p.c.
543	Sail twine and canvas of hemp, or flax, imported for use in the manufacture of boats' and ships' sails..	Free	5 p.c.	10 p.c.
544	Sheets, pillow-cases, diapers, tray-cloths, quilts, counterpanes, towels, bath mats, wash cloths, table-cloths, napkins, dresser scarves, consisting of woven fabrics wholly of vegetable fibres, not further manufactured than hemmed or hemstitched, not coloured, not embroidered nor otherwise ornamented, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.
544a	Handkerchiefs consisting of woven fabrics wholly of flax or of flax and cotton, not further manufactured than hemmed or hemstitched, not coloured, not embroidered nor otherwise ornamented.....	20 p.c.	30 p.c.	32½ p.c.
544b	Handkerchiefs composed of flax or of flax and cotton, n.o.p.....	22½ p.c.	32½ p.c.	35 p.c.
545	Lace and embroideries, wholly of flax, or of flax and cotton, not coloured, imported by manufacturers for use exclusively in the manufacture of underwear in their own factories.....	12½ p.c.	17½ p.c.	20 p.c.
546	Articles made from fabrics, finished or unfinished, and all textile manufactures, wholly of hemp or of jute, or of both, n.o.p.; fabrics, wholly of hemp or jute, or of both, coated or impregnated.....	12½ p.c.	25 p.c.	30 p.c.
547	Bags or sacks of hemp, linen or jute, and cotton seamless bags; bags in which cement or lime mentioned in Tariff Item 290 is imported.....	15 p.c.	17½ p.c.	20 p.c.
548	Clothing, wearing apparel and articles, made from woven or knitted fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of vegetable fibres but not containing silk, artificial silk, nor wool, n.o.p.; fabrics, coated or impregnated, composed wholly or in part of vegetable fibres but not containing silk, artificial silk nor wool, n.o.p.....	22½ p.c.	30 p.c.	35 p.c.
548a	Clothing and hats made from oiled fabric of cotton or flax, or both....	15 p.c.	25 p.c.	30 p.c.
548b	Collars and cuffs wholly of flax or of flax and cotton.....	20 p.c.	30 p.c.	35 p.c.
549	Wool, the hair of the camel, alpaca, goat or other like animal, not further prepared than combed.....	Free	Free	Free
549a	Hair, cleaned or uncleaned, but not curled, dyed nor otherwise manufactured; and horse hair not further manufactured than simply cleaned and dipped or dyed.....	Free	Free	Free
549b	Hair, curled or dyed, n.o.p.....	12½ p.c.	17½ p.c.	20 p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff
550	Rags and waste, wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, unfit for use without further manufacture, not to include used garments nor waste portions of unused fabric.....	Free	Free	Free
550a	Waste portions of unused fabrics or used garments wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, imported by manufacturers to be used exclusively for disintegrating in their own factories.....	Free	Free	Free
550b	Garnetted material, wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, obtained by disintegrating yarns or fabrics, prepared for use; waste portions of unused fabrics, rags and waste, wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, sold by weight, not to include remnants nor small ends, n.o.p.....	7½ p.c.	10 p.c.	12½ p.c.
550c	Garnetted wool waste in the white when imported by manufacturers of woollen goods for use exclusively in their own factories.....	Free	Free	Free
551	Yarns composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, but not containing silk nor artificial silk, n.o.p.....	20 p.c.	22½ p.c.	25 p.c.
551a	Yarns and warps composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, imported by manufacturers for use exclusively in their own factories, n.o.p.....	12½ p.c.	17½ p.c.	20 p.c.
551b	Yarns and warps composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, imported by manufacturers for use exclusively in their own factories, in the weaving of woollen or worsted fabrics (but not including carpets nor floor rugs).....	Free	10 p.c.	12½ p.c.
551c	Yarns composed wholly or in chief value of merino wool, not more than 200 yards long, dry spun on the Lancashire or Newcomen systems, but not containing silk nor artificial silk, imported by manufacturers of knitted goods for use exclusively in the manufacture of such goods in their own factories.....	10 p.c.	17½ p.c.	20 p.c.
552	Felt, pressed, of all kinds, in the web, not consisting of or in combination with any woven, knitted or other fabric or material.....	15 p.c.	22½ p.c.	25 p.c.
553	Household blankets, n.o.p., not to include horse blankets, automobile rugs, steamer rugs nor similar fabrics.....	22½ p.c.	30 p.c.	35 p.c.
554	Woven fabrics, composed wholly or in chief part by weight, of wool, the hair of the camel, alpaca, goat or other like animal, not exceeding in weight six ounces to the square yard, when imported in the gray, unfinished condition, for the purpose of being dyed and finished in Canada.....	10 p.c.	22½ p.c.	25 p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff
554a	Woven fabrics, consisting of cotton warps with wefts wholly of mohair or alpaca or both, generally known as lustres or Italian linings, n.o.p.	10 p.c.	20 p.c.	25 p.c.
554b	Woven or knitted fabrics composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, not exceeding in weight five ounces to the square yard, n.o.p.	22½ p.c.	30 p.c.	35 p.c.
554c	Woven or knitted fabrics, felted or not, including all such fabrics with cut pile, composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, n.o.p.	27½ p.c.	35 p.c.	35 p.c.
554d	Woven or braided fabrics not exceeding twelve inches in width, whether with cut pile or not, wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal.	27½ p.c.	35 p.c.	35 p.c.
555	Clothing, wearing apparel and articles, made from woven or knitted fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, but not containing silk, nor artificial silk, n.o.p.; fabrics, coated or impregnated, composed wholly or in part of wool, the hair of the camel, alpaca, goat or other like animal, but not containing silk nor artificial silk, n.o.p.	27½ p.c.	35 p.c.	35 p.c.
556	Socks and stockings, wholly or in part of wool, but not containing silk nor artificial silk, valued at more than \$1.50 per pound.	27½ p.c.	32½ p.c.	35 p.c.
556a	Socks and stockings, wholly or in part of wool, but not containing silk nor artificial silk, valued at more than 90 cents per pound, but not exceeding \$1.50 per pound.	25 p.c.	32½ p.c.	35 p.c.
556b	Socks and stockings, wholly or in part of wool, but not containing silk nor artificial silk, n.o.p.	20 p.c.	27½ p.c.	30 p.c.
557	Silk cocoons; raw silk, not more advanced than singles, not to include material wholly or partially degummed; rags and waste wholly of silk, artificial silk or similar synthetic fibres produced by chemical processes, unfit for use without further manufacture, not to include used garments nor waste portions of unused fabrics.	Free	Free	Free
557a	Waste portions of unused fabrics, or used garments, wholly of silk, artificial silk or similar synthetic fibres produced by chemical processes, imported by manufacturers to be used exclusively for disintegrating in their own factories.	Free	Free	Free
557b	Garnetted material wholly of silk, artificial silk or similar synthetic fibres, produced by chemical processes, obtained by disintegrating cocoons, yarns or fabrics, prepared for use; filaments or loose fibres wholly of silk, artificial silk or similar synthetic fibres produced by chemical processes, not more advanced than in the form of sliver; waste portions of unused fabrics,			

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
	raggs and waste, wholly of silk, artificial silk or similar synthetic fibres, not to include remnants nor mill ends, n.o.p.....	5 p.c.	7½ p.c.	10 p.c.
558	Yarns and warps wholly of thrown silk, in the gum.....	10 p.c.	12½ p.c.	15 p.c.
558a	Rovings, yarns and warps wholly of spun silk, generally known as schappe and bourette, not more advanced than singles.....	10 p.c.	12½ p.c.	15 p.c.
558b	Rovings, yarns and warps wholly of artificial silk, or similar synthetic fibres, produced by chemical processes, not more advanced than singles.....	12½ p.c.	17½ p.c.	20 p.c.
558c	Rovings, yarns and warps wholly or in part of silk, n.o.p.; including threads, cords or twist for sewing, embroidering or other purposes....	17½ p.c.	22½ p.c.	25 p.c.
558d	Rovings, yarns and warps wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes, not to contain silk.....	17½ p.c.	22½ p.c.	25 p.c.
558e	Yarns and warps, wholly of thrown silk in the gum, rovings, yarns and warps, wholly of spun silk, not coloured, imported by manufacturers for use exclusively in their own factories for knitting underwear, for weaving or for the manufacture of silk thread.....	Free	7½ p.c.	10 p.c.
559	Black mourning crapes.....	10 p.c.	17½ p.c.	20 p.c.
560	Woven fabrics wholly or in chief part by weight of silk in the gum, not degummed or bleached, not less than twenty inches in width, imported for the purpose of being degummed, dyed and finished in Canada.....	12½ p.c.	22½ p.c.	35 p.c.
560a	Woven fabrics wholly of silk, exceeding twenty-six inches in width.....	17½ p.c.	32½ p.c.	35 p.c.
560b	Woven fabrics wholly of silk, twenty-six inches in width, or less, n.o.p....	17½ p.c.	32½ p.c.	35 p.c.
560c	Woven fabrics composed in part of silk, n.o.p., knitted fabrics wholly or in part of silk, not to contain wool.....	22½ p.c.	32½ p.c.	35 p.c.
560d	Woven fabrics with cut pile, generally known as velvets and plushes, with pile wholly of silk or artificial silk, but not containing wool, exceeding twenty-four inches in width.....	17½ p.c.	32½ p.c.	35 p.c.
560e	Woven fabrics with cut pile, generally known as velvets and plushes, with pile wholly of silk or artificial silk, but not containing wool, twenty-four inches in width or less, n.o.p.....	17½ p.c.	32½ p.c.	35 p.c.
561	Woven fabrics wholly of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p.....	17½ p.c.	32½ p.c.	35 p.c.
561a	Woven fabrics composed in part of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p., knitted fabrics wholly or in part of such artificial silk, not to contain silk nor wool.....	22½ p.c.	32½ p.c.	35 p.c.
562	Woven fabrics not exceeding twelve inches in width, generally known as "ribbons," whether with cut pile or not, wholly or in part of silk but not containing wool.....	22½ p.c.	32½ p.c.	35 p.c.

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
562a	Woven fabrics not exceeding twelve inches in width, generally known as "ribbons," whether with cut pile or not, wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, but not containing silk nor wool.....	22½ p.c.	32½ p.c.	35 p.c.
563	Bolting cloth, not made up.....	Free	Free	Free
564	Woven fabrics wholly, or in chief part by weight, of silk or artificial silk, or both, imported in the web in lengths of not less than ten yards each by manufacturers of neckties for use exclusively in the manufacture of such articles in their own factories.....	17½ p.c.	20 p.c.	20 p.c.
565	Embroideries, lace, braids, cords, chenille, gimp, fringes and tassels, whether containing tinsel or not, n.o.p.; bobinet, manufactures of lace, handkerchiefs, pillow shams and curtains, n.o.p.....	25 p.c.	32½ p.c.	35 p.c.
566	Socks and stockings wholly or in part of silk.....	25 p.c.	32½ p.c.	35 p.c.
566a	Socks and stockings wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, but not containing silk.....	25 p.c.	32½ p.c.	35 p.c.
567	Clothing, wearing apparel and articles, made from woven or knitted fabrics and all textile manufactures, n.o.p., wholly or partially manufactured; fabrics, coated or impregnated n.o.p.; all composed wholly or in part of silk.....	30 p.c.	35 p.c.	37½ p.c.
567a	Clothing, wearing apparel and articles made from woven or knitted fabrics and all textile manufactures, n.o.p., wholly or partially manufactured; fabrics, coated or impregnated, n.o.p.; all composed wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes but not containing silk.....	30 p.c.	35 p.c.	37½ p.c.
567b	Church vestments of any material..	12½ p.c.	17½ p.c.	20 p.c.
568	Knitted garments n.o.p., knitted goods, n.o.p., knitted underwear, n.o.p., all to be valued at more than 90 cents per pound.....	20 p.c.	30 p.c.	35 p.c.
568a	Knitted garments, n.o.p., knitted goods, n.o.p., knitted underwear, n.o.p., all to be valued at 90 cents per pound, or less.....	15 p.c.	30 p.c.	35 p.c.
569	Hats, caps, hoods and bonnets, n.o.p.; hat and bonnet crowns and hat, cap and bonnet shapes.....	22½ p.c.	30 p.c.	35 p.c.
569a	Unfinished hoods, composed of leg-horn, manila, palm leaf, grass, willow or chip, not bleached nor blocked.....	Free	5 p.c.	7½ p.c.
569b	Hat sweats, cap peaks, hatters' tips and sides when cut to shape, imported by manufacturers for use exclusively in the manufacture of hats and caps in their own factories	Free	5 p.c.	7½ p.c.
569c	Braids or plaits, of chip, palm leaf, manila, willow, osier, rattan, straw, tuscan or grass; braids or plaits of artificial silk or similar synthetic fibre produced by chemical processes; braids or plaits of glazed cotton thread; all to be imported			

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff
569d	for use exclusively in the manufacture of hat bodies or shapes, but not for ornamentation or trimming of such bodies or shapes... Woven fabrics, not exceeding three inches in width, in lengths of not less than eighteen yards, of a class or kind not made in Canada, generally known as "single, double or four shot corded ribbon," imported by manufacturers for use exclusively in their own factories in making the bands on hats or in binding the edge of the hat brim...	Free	5 p.c.	7½ p.c.
570	Mats, door or carriage, other than metal, n.o.p.....	Free	5 p.c.	7½ p.c.
571	Carpeting, rugs, mats and matting of cocoa, straw, hemp or jute; carpet linings and stair pads.....	25 p.c.	30 p.c.	35 p.c.
572	Turkish or imitation Turkish or other floor rugs or carpets, and carpets, n.o.p.....	15 p.c.	22½ p.c.	25 p.c.
573	Enamelled carriage, floor, shelf and table oil-cloth, linoleum, and cork matting or carpets.....	25 p.c.	30 p.c.	35 p.c.
574	Woven fabrics, non-elastic, not exceeding three inches in width, imported by manufacturers of suspenders, garters and hose supporters for use exclusively in the manufacture of such articles in their own factories.....	25 p.c.	32½ p.c.	35 p.c.
574a	Webbing, with strands of rubber interwoven, or braided therein, not exceeding twelve inches in width; round elastic braid.....	10 p.c.	17½ p.c.	20 p.c.
574b	Webbing, with strands of rubber interwoven or braided therein, exceeding one inch but not exceeding twelve inches in width, imported by manufacturers for use exclusively in their own factories.....	20 p.c.	32½ p.c.	35 p.c.
575	Cordage exceeding one inch in circumference, n.o.p.....	12½ p.c.	20 p.c.	25 p.c.
576	Window shades mounted on rollers, n.o.p.....	20 p.c.	22½ p.c.	25 p.c.
577	Collars and cuffs of xylonite, xylite or celluloid.....	20 p.c.	30 p.c.	35 p.c.
578	Collars and cuffs of xylonite, xylite or celluloid.....	15 p.c.	20 p.c.	25 p.c.
578	Regalia, badges and belts of all kinds, n.o.p., except silk belts.....	22½ p.c.	30 p.c.	35 p.c.
590c	Engines and complete parts thereof, when imported for use only in the equipment of aircraft.....	22½ p.c.	30 p.c.	35 p.c.
610	On and after 1st July, 1930.....	Free	7½ p.c.	10 p.c.
620	Belting for machinery, n.o.p.....	15 p.c.	25 p.c.	27½ p.c.
620	Tinsel wire when imported by manufacturers of braids, cords, tassels, ribbons or trimmings, for use only in the manufacture of such articles in their own factories.....	20 p.c.	25 p.c.	27½ p.c.
621	Nitrate of thorium and nitrate of cerium for use in the manufacture of incandescent gas mantles, when imported by manufacturers of such mantles or of stocking for such mantles.....	5 p.c.	7½ p.c.	10 p.c.
626	Twine or yarn of paper when imported by manufacturers of furniture for use only in their own factories in the manufacture of furniture.....	Free	Free	Free
627	Gloves of all kinds.....	Free	Free	Free
627a	Mitts or mittens of all kinds.....	22½ p.c.	30 p.c.	35 p.c.
630	Boot, shoe, shirt and stay laces, n.o.p.....	15 p.c.	25 p.c.	30 p.c.
630	Boot, shoe, shirt and stay laces, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
681	Junk, old; paper waste clippings and waste of all kinds, n.o.p., except metallic; broken glass or glass cullet.....	Free	Free	Free
682	Aluminum net floats of a class or kind not made in Canada, for use only in deep-sea or lake fishing, not to include floats for sportsmen's use.....	Free	Free	Free

2. Resolved, That Schedule B to The Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking thereout Tariff Items 1011, 1012, 1024, 1029, the enumeration of goods, and the rates of drawback of Customs duties set opposite to each of the said items, and the following items, enumerations and rates of drawback of Customs duties be inserted in the said Schedule B:—

Tariff Item	—	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1011	Botany yarn, single, numbers thirty and finer, on mule cops, tubes or cones, or in hanks, dry spun on the French or Belgian systems, in white only, not doubled or twisted.....	When used prior to the first day of October, 1928, in the manufacture of socks and stockings and Jersey cloth..	99 p.c.
1012	Woven fabrics in the web.....	When used in the manufacture of linings for hats and caps.....	99 p.c.
1024	Yarns composed in chief value of wool, single, numbers thirty and finer, on mule cops, tubes or cones, or in hanks, dry spun on the French or Belgian systems, in white only, not doubled or twisted.....	When used prior to the first day of October, 1928, in the manufacture of socks and stockings.....	99 p.c.
1029	Materials.....	When imported by manufacturers of hat sweats, cap peaks and hatters' tips and sides when used in the manufacture of such articles in their own factories....	99 p.c.
1060	Newsprint paper, machine finished book grades of paper, not coated, coated or supercalendered book grades of paper, when imported under tariff items 197, 197a, or 198a.....	When used exclusively in the production in Canada of magazines or periodicals, including farm journals, printed, published and issued at regular intervals, and enjoying second-class postal privileges, containing critical, in-	

Tariff Item		When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1061	Woven fabric manufactured for covering the outside of books, of a class or kind not made in Canada.....	formative and descriptive articles on various subjects, current topics, political and other news or reviews, criticism or other informative matter, or fiction, being bound, wire stitched or otherwise fastened together.....	80 p.c.
1062	Materials, including all parts....	When imported by bookbinders for use exclusively in binding books in their own factories... When used in the manufacture of bit braces, marking gauges of metal or wood, levels of metal or wood, planes or hand tool scrapers of metal or wood, spoke shaves, try squares and bev-els with metal or wood handles: Pro-vided that no draw-back shall be paid under this item unless at least fifty per cent of the cost of producing the finished article has been incurred in Can-ada; And provided further that no draw-back under this item shall be payable more than once on any article.....	99 p.c.
1063	Materials, including all parts....	When used in the manu-facture of engines for use only in the equip-ment of aircraft: Pro-vided that on and after July 1, 1930, no drawback shall be paid under this item unless at least forty per cent of the cost of producing the finished engine has been in-curred in Canada.....	60 p.c.
1064	Seamless iron or steel tubing over four inches in diameter.....	When used in the trans-mission of natural gas under high pressure from the gas wells to point of distribution...	50 p.c.
1065	Bituminous coal.....	When used in melting or evaporating salt pro-duced in Canada: Pro-vided that no draw-back under this item shall be payable on coal used in producing salt or brine when such salt or brine is further manufactured than salt enumerated in tariff items 40, 41, 42 and 42a.....	50 p.c.
			99 p.c.

3. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the seventeenth day of February, one thousand nine hundred and twenty-eight, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for which no entry for consumption was made before that day.

THE INCOME WAR TAX ACT

Resolved, That it is expedient to amend the Income War Tax Act, and to provide:—

1. That the schedule of rates of Income Tax pertaining to individuals be reduced for the year 1927 and thereafter by twenty per centum.

2. That the Income Tax of companies for the year 1927 and thereafter be eight per centum.

3. That allowance for exhaustion of mining lands, oil and gas wells and timber limits be afforded to and apportioned between lessee and lessor.

4. That the income from the operation of ships owned or operated by a non-resident person or corporation be exempt from taxation, provided that the country of residence grants an equivalent exemption in favour of a person or corporation resident in Canada.

5. That \$500 exemption be given persons supporting dependents twenty-one years of age and over, incapable of self-support on account of mental or physical infirmity.

6. That upon election by the trustee controlling a superannuation pension fund or plan to have the investment income exempt from taxation the contributions by employees shall not be exempt.

7. That provision be made for procuring information as to payments made from the source of payment.

THE SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend the Special War Revenue Act, chapter 179 of the Revised Statutes of Canada, 1927, and to provide:—

1. That section eighty of the said Act which imposes an excise tax on automobiles adaptable for passenger use be amended by adding thereto the following subsection:—

“4. When goods of any class mentioned in schedule I are manufactured or produced in Canada and are for use by the manufacturer or producer thereof and not for sale, such goods shall, for the purposes of this part, be deemed to have been manufactured or produced in Canada and sold, and the sale shall be deemed to have taken place when the goods are used or appropriated for use. The Minister may determine the value of the said goods for the tax.”

2. That the rate of consumption or sales tax be reduced to 3 per cent and that any enactment which may be founded on this resolution No. 2, shall be deemed to have come into force on the seventeenth day of February, 1928, and to have applied to goods imported or taken out of warehouse for consumption on or after that date and to have applied to goods previously imported for which no entry for consumption was made before that date.

THE COPPER BOUNTIES ACT

Resolved, That it is expedient to introduce a measure to amend The Copper Bounties Act, 1923, and to provide that the payment of bounties at the rate of one-half of one cent per pound on copper bars or rods, as described in the said Act, be continued up to the thirtieth day of June, 1931.

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB

MINISTER OF FINANCE

MEMBER FOR CHATEAUGUAY-HUNTINGDON

IN THE

HOUSE OF COMMONS

MARCH 1, 1929



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1929

Handwritten circular stamp:
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MAY 1929
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CANADA

BUDGET SPEECH

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1929

BUDGET SPEECH

DELIVERED BY

HON. JAMES A. ROBB, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, FRIDAY, MARCH 1,

1929

Hon. J. A. ROBB (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, the general optimism prevailing throughout Canada has, during recent months, been so widely reflected and strongly emphasized in provincial legislative assemblies, annual reviews and financial statements that, in presenting this annual budget, little need be said beyond submitting official figures which, when analyzed and compared with the records of previous years, will show a steady and continuous reduction of both debt and rates of taxation.

The fiscal year ends, as hon. members know, on the 31st of March, consequently, when on the 16th of February, 1928, the annual budget statement for 1927-28 was presented, it was necessary to make an estimate of the total revenues and expenditures. The Public Accounts for that year have since been tabled and give in detail the various revenues and expenditures and show that, after transferring certain old and doubtful assets and Soldier Settlement loan adjustments from active to non-active assets, the actual net debt reduction for the fiscal year 1927-28 was \$50,984,137.17.

FISCAL YEAR 1928-29

REVENUES

For the fiscal year 1928-29, which ends on the 31st March, it is estimated that the ordinary revenues will be \$450,000,000, which, with special receipts from reparation payments of

\$3,500,000 and receipts of \$1,400,000 from the Imperial Government in final adjustment of disputed claims, together with \$42,000 miscellaneous receipts, makes total estimated revenues for the year of about \$454,942,000. This will be an increase of some \$25,000,000 over the revenues for the year 1927-28.

It is estimated that customs revenues will be \$185,000,000, an increase of \$28,000,000 over the previous year; excise duties \$63,400,000, an increase of \$6,000,000; income tax, \$58,500,000, an increase of \$1,900,000; interest on investments (including \$1,500,000 interest derived from temporary investments of our surplus cash holdings), \$11,600,000, an increase of \$660,000; and revenues from other sources \$16,350,000, an increase of \$840,000.

Services which it is estimated will show decreases are: excise taxes,—sales, stamps, etc., \$81,500,000, a decrease of \$8,700,000 from the previous year; delayed business profits tax, \$450,000, a decrease of \$500,000; Post Office, \$31,000,000, a decrease of \$560,000; and miscellaneous services, \$2,200,000, a decrease of \$370,000.

EXPENDITURES

Our ordinary expenditures for the year, Mr. Speaker, are estimated at \$355,200,000. This includes payments made under authority of the Maritime Freight Rates Act, 1927, of \$2,992,000 to meet the twenty per cent reduction in Maritime Freight Rates, and \$4,303,000 to meet deficits on eastern lines. It also includes \$1,600,000 by way of special grants to the Maritime Provinces, \$800,000 to be paid to the provinces of British Columbia, Saskatchewan, and Manitoba as the Dominion's share of old age pensions payments, and \$2,190,000 to the Federal District Commission under authority of the Federal District Commission Act as amended in 1928.

The capital expenditures are estimated as \$24,150,000 and special expenditures at \$1,937,000. In addition, loans in cash to the Canadian Government Merchant Marine are estimated at \$1,000,000 and to the Quebec Harbour Commission \$2,873,000. As these loans are carried as non-active assets the amounts are included as expenditures for the year. The total estimated expenditures will, therefore, be \$385,160,000, an increase of \$22,332,000 over the expenditures of the previous year.

SURPLUS \$69,782,000

By deducting the estimated total expenditures of \$385,160,000 from the estimated total revenues of \$454,942,000, it will be observed that the estimated surplus of revenues over all expenditures for the current fiscal year is \$69,782,000.

Mr. Speaker, for the convenience of hon. members, may I, with the consent of the House, place on Hansard a comparative summary showing the actual revenues and expenditures by services for 1927-28 and the corresponding estimated revenues and expenditures for the current fiscal year; also a statement of the estimated ordinary revenues and the estimated expenditures, by services, for the present fiscal year, together with their percentages to the total revenues or expenditures as the case may be.

REVENUES

	Actual 1927-28	Estimated 1928-29	Increase	Decrease
	\$	\$	\$	\$
<i>Ordinary Revenue</i>				
Taxation Revenue—				
Customs Import Duties.....	156,985,818	185,000,000	28,014,182	
Excise Duties.....	57,400,897	63,400,000	5,999,103	
War Tax Revenues—				
Excise Taxes (Sales, Stamps, etc.).....	90,222,931	81,500,000		8,722,931
Income Tax.....	56,571,047	58,500,000	1,928,953	
Delayed Business Profits Tax.....	956,031	450,000		506,031
Miscellaneous Taxes.....	2,569,078	2,200,000		369,078
Total Revenue from Taxation.....	364,705,802	391,050,000	35,942,238	9,598,040
Interest on Investments.....	10,937,822	11,600,000	662,178	
Post Office Revenue.....	31,562,580	31,000,000		562,580
Dominion Lands and Parks.....	3,688,595	4,000,000	311,405	
Canada Grain Act.....	2,677,878	3,000,000	322,122	
Miscellaneous Receipts.....	9,145,306	9,350,000	204,694	
Total Ordinary Revenue.....	422,717,983	450,000,000	37,442,637	10,160,620
<i>Special Receipts</i>				
German Reparation Payments—				
Under Dawes Plan.....	3,002,048	3,500,000	497,952	
Arrears—Pre-Dawes.....	3,789,430			3,789,430
Refunds of Previous Year's Expenditure on War and Demobilization.....	204,974	42,000		162,974
Rec'd from Imp. Govt. in final settlement of disputed accounts.....		1,400,000	1,400,000	
Miscellaneous.....	133,117			133,117
	429,847,552	454,942,000	39,340,589	14,246,141
			14,246,141	
Estimated Increase.....			25,094,448	

EXPENDITURES

	Actual 1927-28	Estimated 1928-29	Increase	Decrease
	\$	\$	\$	\$
<i>Ordinary Expenditure</i>				
Interest on Public Debt.....	128,902,945	125,000,000		3,902,945
Pensions.....	39,778,130	42,000,000	2,221,870	
Subsidies to Provinces.....	12,516,741	12,550,000	33,259	
Soldier and General Land Settlement Administration.....	1,334,008	1,400,000	65,992	
Soldiers' Civil Re-establishment..	6,958,611	7,900,000	941,389	
National Revenue.....	11,801,331	13,300,000	1,498,669	
Post Office.....	31,782,968	33,250,000	1,467,032	
National Defence.....	15,864,188	18,000,000	2,135,812	
Agriculture.....	6,487,766	7,390,000	902,234	
Public Works—Chargeable to Income.....	14,037,366	17,500,000	3,462,634	
Ocean and River Service.....	3,749,105	4,700,000	950,895	
Dominion Lands and Parks.....	4,082,752	5,100,000	1,017,248	
Trade and Commerce.....	4,015,985	4,600,000	584,015	
Special Grant to Maritime Provinces.....	1,600,000	1,600,000		
Maritime Freight Rates Act— Due to 20% reduction in Freight Rates.....	1,353,465	2,992,000	1,638,535	
Deficit on Eastern Lines (C.N.R.)	2,117,936	4,303,000	2,185,064	
Old Age Pensions Act.....	131,452	800,000	668,548	
Federal District Commission.....		2,190,000	2,190,000	
Civil Government.....	11,576,140	12,300,000	723,860	
Other Expenditures.....	38,077,072	38,325,000	247,928	
Total Ordinary Expenditure.....	336,167,961	355,200,000	22,934,984	3,902,945
<i>Special Expenditure</i>				
Adjustment of War Claims.....	1,860,985	150,000		1,710,985
Miscellaneous charges to Consolidated Fund.....	1,705,311	1,787,000	81,689	
<i>Capital Expenditure</i>				
Public Works.....	1,373,633	1,190,000		183,633
Public Works, Marine Department	1,907,464	2,760,000	852,536	
Railways.....	3,591,646	6,960,000	3,368,354	
Canals.....	13,762,905	13,240,000		522,905
<i>Loans and Advances Non-Active</i>				
Canadian Government Merchant Marine.....	999,837	1,000,000	163	
Quebec Harbour Commission.....	1,458,000	2,873,000	1,415,000	
	362,827,742	385,160,000	28,652,726	6,320,468
			6,320,468	
			22,332,258	
Surplus of Revenues over Expenditures.....	67,019,810	69,782,000		

ESTIMATED ORDINARY REVENUES FOR THE FISCAL YEAR 1928-1929
BY SERVICES WITH PERCENTAGES TO TOTAL REVENUES

	Amount	Percentage of total Revenue
Special War Tax Revenue—		
Excise Taxes (Sales, Stamps, etc.).....	\$ 81,500,000	18.11
Income Tax.....	58,500,000	13.00
Delayed Business Profits Tax.....	450,000	0.10
Miscellaneous Taxes.....	2,200,000	0.49
Total Special War Tax Revenue.....	\$142,650,000	31.70
Customs Import Duties.....	185,000,000	41.11
Excise Duties.....	63,400,000	14.09
Total Revenue from Taxation.....	\$391,050,000	86.90
Interest on Investments.....	11,600,000	2.58
Post Office Revenue.....	31,000,000	6.89
Dominion Lands and Parks.....	4,000,000	0.89
Canada Grain Act.....	3,000,000	0.66
Miscellaneous Receipts.....	9,350,000	2.08
	\$450,000,000	100.00

ESTIMATED EXPENDITURES FOR THE FISCAL YEAR 1928-1929
By services with percentages to total expenditures

	Amount	Percentage of total Revenue
<i>Principal Expenditure attributable to the Great War</i>		
Interest on Public Debt (Increase over 1914).....	\$112,107,000	29.11
War Pensions.....	40,600,000	10.54
Soldiers' Civil Re-establishment.....	7,900,000	2.05
Soldier Land Settlement Administration.....	1,400,000	0.36
Imperial War Graves Commission.....	574,000	0.15
Battlefields Memorials.....	180,000	0.05
Adjustment of War Claims.....	150,000	0.04
	\$162,911,000	42.30
<i>Other Fixed and Public Debt Charges</i>		
Interest on Public Debt (as of 1914).....	\$ 12,883,000	3.35
Other Pensions.....	1,400,000	0.36
Superannuation.....	1,450,000	0.38
Subsidies to Provinces.....	12,550,000	3.26
Expenses of Loan Flotations.....	10,000	
Premium, Discount and Exchange.....	70,000	0.02
	\$ 28,373,000	7.37
<i>General Expenditure</i>		
Charges of Management.....	\$ 975,000	0.25
Civil Government.....	12,300,000	3.19
Administration of Justice.....	2,200,000	0.57
Legislation.....	2,400,000	0.62
Penitentiaries.....	1,800,000	0.47
Agriculture.....	7,390,000	1.92
Immigration and Colonization.....	3,000,000	0.78
Health.....	900,000	0.23
National Defence.....	18,000,000	4.67
Royal Canadian Mounted Police.....	2,800,000	0.73
Public Works—Chargeable to Income.....	17,500,000	4.54

ESTIMATED EXPENDITURES FOR THE FISCAL YEAR 1928-1929—*Con.*

	Amount	Percentage of total Revenue
<i>General Expenditure—Con.</i>		
Railways and Canals—Chargeable to Income.....	1,250,000	0.32
Mail Subsidies.....	1,050,000	0.27
Ocean and River.....	4,700,000	1.22
Lighthouse and Coast.....	2,900,000	0.75
Steamboat Inspection.....	140,000	0.04
Fisheries.....	2,000,000	0.52
Mines and Geological Survey.....	700,000	0.18
Scientific Institutions.....	1,100,000	0.29
Indians.....	4,600,000	1.19
Government of the Northwest Territories.....	460,000	0.12
Government of the Yukon Territory.....	180,000	0.05
Miscellaneous.....	2,436,000	0.63
National Revenue (Outside Service).....	13,300,000	3.45
Post Office (Outside Service).....	33,250,000	8.63
Public Works—Collection of Revenue.....	950,000	0.25
Railways and Canals—Collection of Revenue.....	2,600,000	0.68
Dominion Lands and Parks.....	5,100,000	1.32
Trade and Commerce.....	4,600,000	1.19
Labour.....	1,400,000	0.36
Public Printing and Stationery.....	200,000	0.05
Miscellaneous Consolidated Fund Charges.....	1,787,000	0.46
Capital Expenditure—		
Public Works.....	1,190,000	0.31
Public Works, Marine Department.....	2,760,000	0.72
Railways.....	6,960,000	1.81
Canals.....	13,240,000	3.44
	\$178,118,000	46.22
Total Estimated Expenditure on Government Services	\$369,402,000	95.89
<i>Other Expenditures</i>		
Maritime Freight Rates Act—Estimated amount required—		
Due to 20% reduction in freight rates.....	\$ 2,992,000	0.78
Deficit on Eastern Lines (C.N.R.).....	4,303,000	1.12
Special Grant to Maritime Provinces.....	1,600,000	0.42
Old Age Pensions Act.....	800,000	0.21
Federal District Commission Act.....	2,190,000	0.57
Loans to Quebec Harbour Commission.....	2,873,000	0.75
Loans to Canadian Government Merchant Marine.....	1,000,000	0.26
Grand Total.....	\$385,160,000	100.00

REDUCTION IN NET DEBT 1928-29, \$69,782,000

Mr. Speaker, having dealt with the revenues and expenditures, the attention of hon. members is now directed to the net debt of Canada which, at the beginning of the present fiscal year, amounted to \$2,296,850,232. At the close of the present fiscal year it is estimated it will be \$2,227,068,000, or a reduction during the year of \$69,782,000. This reduction is arrived at as follows: To the \$94,800,000 surplus of ordinary revenues over ordinary expenditures is added special revenues of \$4,942,000, being reparation payments and receipts from the Imperial Government in final adjustment of disputed claims,

thus giving a total of \$99,742,000. There are, however, certain other expenditures which must be deducted to arrive at the net decrease in debt. These are: special expenditures on account of adjustment of war claims and miscellaneous charges against consolidated fund, \$1,937,000; capital expenditures, \$24,150,000; loans to Canadian Government Merchant Marine, \$1,000,000; loans to Quebec Harbour Commission, \$2,873,000, making a total of \$29,960,000, which deducted from \$99,742,000, will result in a reduction in the net debt for the present fiscal year of \$69,782,000.

In connection with the debt reduction which the Dominion is again able to accomplish, may attention be directed, Mr. Speaker, to our record in that regard. An examination of the public accounts shows that for a period of fifty-six years, from Confederation to March 31, 1923, the net debt was increased year by year with the exception of the fiscal years 1871, 1882, 1900, 1903, 1904, 1907, 1912 and 1913. From the beginning of the fiscal year 1923-24 to the end of the present fiscal year, the net debt has annually decreased, the total reduction in the six-year period amounting to about \$226,708,000, or a yearly average reduction of some \$37,700,000.

Public interest naturally centres in what has been accomplished in the post-war period; may a survey, therefore, be made commencing with the fiscal year 1921-22. The net debt that year was increased by approximately \$81,000,000. For the purposes of eventually effecting a balanced budget, provision was made in the budget of 1922 for certain additional taxation. The major increase was made in the sales tax where the rates were increased fifty per cent over the then existing tax. There was also an increase in the stamp tax. These taxes have been steadily decreased year by year until to-day they are considerably less than the rates of 1922. Certain other taxes, generally classed as manufacturers' taxes, were imposed, the articles affected being automobiles, confectionery, cigars, ale and beer and other beverages; these have since been repealed or removed with the exception of the tax on ale and beer, cigars and part of the automobile tax.

The additional revenues thus received, aided by economies in expenditures, in 1922-23 resulted in a lessened increase of net debt by \$50,000,000 as compared with the previous year. The following year the era of surpluses and debt reduction commenced, and, as already stated, the net debt for the six-year period has been reduced \$226,708,000. In addition, through reductions in the rates of taxation in force in 1922, the sum of \$241,000,000 has been remitted to the taxpayers.

RETIREMENT OF MATURING LOANS

On the 15th October, 1928, the five-year five per cent refunding loan of 1923, amounting to \$53,000,000 matured. Previous to the date of maturity \$20,866,400 of these bonds were purchased in the open market, thus effecting a saving in interest of \$482,000. The balance of the bonds, amounting to \$32,133,600, was redeemed in cash at maturity. The saving in interest resulting from this redemption will be \$2,650,000 annually.

Mr. Speaker, as the interest charges on the national debt are large, it is a source of general gratification that each year witnesses a reduction. Seven years ago, on the 1st April, 1922, the annual interest charge on bonds, debentures and treasury bills outstanding in the hands of the public, amounted to \$133,482,113. On the 1st April, 1929, we will have an annual interest liability of \$117,142,100, a decrease of \$16,340,013. This saving in interest includes the redemption of our bonds held by the Imperial Government which by agreement in 1923-24 were cancelled and written off against advances made by the Dominion to the Imperial Government.

On the 1st August, 1929, the 5½ per cent loan of 1919, amounting to \$60,000,000, matures. The government will be in a position to take up this loan out of surplus revenues and thereby effect a further annual interest saving of \$3,300,000.

For the information of hon. members, and with their unanimous consent, a statement is now placed on Hansard showing the outstanding funded or dead weight debt in the hands of the public. In doing this it might well be observed that on the 31st of March, 1914, the dead weight debt in the hands of the public was \$303,560,938, while the debt to-day is \$2,330,835,086. It means that our annual interest charge of \$117,142,100 on the funded debt represents one-quarter of our present yearly revenues. The policy of this administration to provide annually for a substantial reduction of the maturing obligations causes a saving in interest, an improvement in our national financial reputation and paves the way for further taxation reductions towards the pre-war level.

PUBLIC DEBT
Maturing dates by years
Funded Debt

Date of Maturity	Name of Loan	Rate %	Where Payable	Amount of Loan	Amount maturing during year
1929—Aug. 1	Bond Loan 1919-29	5½	New York		\$ 60,000,000 00
1930—Feb. 1	Refunding Loan of 1926.	4½	Canada.....	\$ 20,000,000 00	
Dec. 1	3 year notes	4	Canada and New York.	45,000,000 00	65,000,000 00
1931—April 1	Public Service Loan 1916.	5	New York	25,000,000 00	
Oct. 1	War Loan 1916-31.	5	Canada.....	52,931,600 00	77,931,600 00
1932—Nov. 1	Renewal Loan 1922	5½	Canada.....		73,325,150 00
1933—Nov. 1	Victory Loan 1918.	5½	Canada.....		446,658,800 00
1934—Nov. 1	Victory Loan 1919.	5½	Canada.....	511,910,650 00	
June 1	Loan of 1884	3½	London.....	23,467,206 27	535,377,856 27
1935—Aug. 1	Bond Loan 1915-35.	5	Canada and New York.		874,000 00
1936—Feb. 1	Loan of 1926-36.	4½	New York		40,000,000 00
1937—Dec. 1	Victory Loan 1917.	5½	Canada.....	236,299,850 00	
Mar. 1	War Loan 1917-37.	5	Canada and New York.	90,166,900 00	326,466,750 00
1938—July 1	Loan of 1888	3	London.....	8,071,230 16	
July 1	Loan of 1892	3	London.....	18,250,000 00	
July 1	Loan of 1894	3	London.....	10,950,000 00	
July 1	C.P.R. Loan.	3½	London.....	15,056,006 66	52,327,236 82
1940—Sept. 1	Refunding Loan 1925.	4½	Canada.....		75,000,000 00
1943—Oct. 15	Refunding Loan 1923.	5	Canada.....		147,000,000 00
1944—Oct. 15	Refunding Loan 1924.	4½	Canada.....		50,000,000 00
1946—Feb. 1	Refunding Loan 1926.	4½	Canada.....		45,000,000 00
1947—Oct. 1	Loan of 1897	2½	London.....		4,888,185 64
1950—July 1	Loan of 1930-50.	3½	London.....		137,058,841 00
1952—May 1	Loan of 1942-52.	5	New York		100,000,000 00
1960—Oct. 1	Loan of 1940-60.	4	London.....		93,926,666 66
					\$ 2,330,835,086 39

Payable in Canada.....	\$ 1,657,252,050 00
Payable in Canada and New York.....	136,040,900 00
Payable in New York.....	225,874,000 00
Payable in London.....	311,668,136 39

\$ 2,330,835,086 39

GUARANTEED SECURITIES

Certain public services are assisted or allied with our national treasury and a brief survey of our financial commitments in the present fiscal year in connection with the Montreal Harbour Commission and the Canadian National Railway may be made.

Montreal Harbour Commission

During the year the government guaranteed securities of the Montreal Harbour Commissioners, as authorized by Chapter 58 of the Statutes of 1924, to the amount of \$9,000,000. The securities were used in the raising of money needed for the completion of the South Shore Bridge.

Canadian National Railway Finances

With the exception of the payments made by the government to cover deficits on the Eastern Lines, no direct financial assistance was extended to the Canadian National Railway Company apart from certain temporary loans, since repaid. The same situation prevailed as in the previous year, the Company's financial requirements being raised in its own name, mainly with the guarantee of the Dominion, but, in part, without such guarantee.

This financial position has been reached gradually. In the early years of government ownership, deficits were met, the lines unified and the system rehabilitated largely at the Dominion's expense. Latterly, however, deficits have been converted into a substantial surplus and the management anticipates that further improvements and extensions, involving new capital, will be self-sustaining.

In the calendar years 1920 to 1927, inclusive, leaving aside interest nominally payable on government advances but not actually paid, the net deficits of the Canadian National Railways amounted to \$202,900,000. In the corresponding fiscal years, the Dominion paid in cash to the railways, the sum of \$367,700,000. In other words, the government paid all losses and, in addition, supplemented the Company's capital by \$164,800,000. In earlier years, as hon. members know, the companies were operating as separate units and large advances were made by the government for capital purposes, as well as deficits. Mr. Speaker, with the consent of the House, the record for each of the years 1920 to 1927 will be placed on Hansard.

Calendar Year	Net Income Deficit of Can. National Railways, exclusive of interest due government	Payments in cash from Dominion Government
		(By fiscal years)
1920.....	\$66,131,996	\$123,590,232
1921.....	48,899,807	105,623,699
1922.....	33,047,222	84,932,579
1923.....	21,539,731	23,710,617
1924.....	23,589,376	9,934,453
1925.....	9,994,383	10,000,000
1926.....	*2,389,009	10,000,000
1927.....	2,182,378	
	\$202,995,884	\$367,791,580

* Surplus.

Coming now to the railway year recently closed, that is, 1928, the railway officials advise that after paying all charges with the exception of interest due the government, the accounts of the Company will show a surplus of about \$7,000,000. This sum is, therefore, available to the Company for capital purposes. The interest due to the government, amounting to over \$32,000,000 for the year, is taken into the books of the Company as a liability but not paid. As no credit is taken in the books of the government for this unpaid interest, it may be left aside in estimating the outcome of the year's business when considering the Government's and the Railway's fiscal relationship.

In December last, the government guaranteed an issue of \$35,000,000 Canadian National Railway Company 4½ per cent 40-year bonds which were sold by tender. In addition, the Company borrowed \$40,000,000 by way of temporary loans from Canadian chartered banks. These obligations were issued to finance expenditures on construction and betterments as approved by Parliament, and also to refund maturing securities. The following statement indicates the authorities under which these borrowings were made:—

Railway Loan Appropriation, 1927-28.....	\$5,900,000 00
Railway Loan Appropriation, 1928-29.....	32,851,890 40
Branch Lines, special Acts.....	9,500,000 00
Toronto Terminals Railway Act.....	4,000,000 00
Canadian Northern Income Charge Act, 1923 (refunding)...	22,748,109 60
	<hr/>
	\$75,000,000 00
	<hr/>

The net addition in 1928 to the liabilities of the railways, in the form of outstanding long term and short date debt, amounted to \$44,800,000. The balance of the borrowings effected during the year was required to provide for the redemption of maturing securities.

FORECAST OF REVENUES AND EXPENDITURES

Before leaving the financial accounts, some reference might be made, Mr. Speaker, to the probable revenues and expenditures for the coming fiscal year.

Without being unduly optimistic, the Government feels it is warranted in anticipating that, notwithstanding the reductions to be submitted in this budget, the revenues will meet all expenditure obligations and also provide for the redemption of the loan maturing in August next.

The ordinary revenues for the present fiscal year have already been estimated at \$450,000,000. It is hoped the ordinary revenues for the coming fiscal year will be at least equal. After making provision for the statutory charges and maturing obligations, the expenditures have been allocated to

such votes as will provide for long deferred repairs and needed improvements to the public properties and services, as are required by a growing and prosperous country.

TRADE

Mr. Speaker, the monthly publication of trade statistics being available to all, it is unnecessary to place on record any extended statement of the volume of the Dominion's external trade. In the first ten months of the fiscal year the Department of National Revenue reports total exports amounted to \$1,187,400,000, which, when the total imports of \$1,033,300,000 are subtracted, leaves a favourable trade balance of \$154,100,000 for the ten months' period.

The remarkable growth in Canada's external trade may be illustrated by the fact that the favourable balance just quoted is almost equal to the total export trade of this Dominion thirty years ago. It might also be noted that a comparison with the pre-war year of 1913-14 shows the 1927-28 exports of fully manufactured goods exceeded the total exports of raw, semi-manufactured and fully manufactured goods in the year 1914. Canadians may well take pride in the great increase in the per capita producing ability of this Dominion.

Unfortunately, no method has yet been devised whereby the ultimate destination of our exports may be determined. This is particularly true in respect to exports of grains which, on the basis of last year's statistics, represent about one-third of the total exports of the Dominion. Vessels oftentimes obtain clearance for the United Kingdom, but unload in European ports. Thus, while our export records show a credit to Great Britain, the actual destination is some other country or countries. The trade records of both France and Switzerland illustrate this. The import records of the French government show that in the year ended December 31, 1927, France imported from Canada goods to the value of \$28,400,000, but our records for the same period credit an export to France of approximately \$11,700,000. The Swiss records credit \$17,000,000 as the imports from Canada, while our export records state this Dominion only sold \$483,000 of goods to Switzerland.

It is gratifying to note the steady development of inter-empire trade. Canada, the pioneer of the British Preference, looks on Empire trade as the keystone of its external trade policy and desires in every way to foster closer trading relations throughout the British Commonwealth of Nations.

Throughout a period of years Parliament has authorized the adoption of various commercial treaties with foreign countries, and it will be recalled that last session agreements with

a number of countries were accepted. These were formally brought into effect during the year. Sufficient time has not yet elapsed to justify a survey of these arrangements, but the trade reports show that in the fiscal year 1927-28 Canada sold 165 million dollars worth of goods to countries with which we have enjoyed most-favoured-nation treatment over a period of years. From the same countries our purchases amounted to 103 million dollars. This record is a substantial improvement over the fiscal year 1921-22 when our exports to the same countries had a value of about 82 millions of dollars and our imports of 57 millions of dollars.

In 1921-22 the concern of all Canadians was that our dollar should be brought back to par, that the nation's purchasing power be substantially increased, that no man willing to work be out of employment, that Canadian goods become firmly established on the international trading markets and that Canadians, wherever they might be, would feel that the problems of each section were the mutual concern of all.

Our dollar is no longer at a depreciated valuation. Canadians to-day are prospering. Employment is at a high level. Our basic and manufacturing industries are producing large quantities of goods for home consumption and also for the vast external trade outlets which have been developed. Many new trade channels within the British Commonwealth are being opened and, in addition, the ever-increasing number of countries with which Canada exchanges most-favoured-nation treatment assists Canadian business to establish permanently "made-in-Canada" goods on the markets of the world.

These, we believe, are factors which, coupled with good crops, have materially assisted in the expansion of our basic industries, encouraged the enlargement and extension of industries throughout the Dominion, and provided much new business for Canadian transportation systems. Our railways, relieved in some measure of pressing financial problems through the general increase of business, are now in a position to extend services to parts of the Dominion where additional traffic will add to their earnings.

CUSTOMS TARIFF

Enjoying such advantages and blessed with a fertile soil and vast resources, Canada has many opportunities for developing a well-balanced diversity of production within the Dominion as well as securing permanent trade channels with other nations. In so far as we have a fiscal problem, our task would appear to be that of readjusting, as necessity arises, our Customs Tariff schedules to meet new conditions, of removing inequali-

ties where enquiry proves such to exist, of encouraging greater and more economical production of quality products, of assisting in the utilization of domestic resources and, other things being equal, of favouring those countries which favour our products. In applying these principles, availability of supplies, transportation costs, and the proximity of markets are factors which must be considered if all are to benefit and the Dominion prosper.

The constant expansion within Canada brings new problems. We should recognize that this generation has an obligation to build wisely for the greater to-morrow. The expansion of business within Canada has increased local competition and interlocked the interests of many activities. Add the problems arising out of the varying costs of domestic production, sources of supplies, transportation charges and the location of domestic and external markets. Consider as well the demands for tariff changes of various interests, and it may be of interest to note that there are basic industries applying to the Minister of Finance for increases in customs tariff rates, also manufacturing industries applying for reductions in schedules, and we have an appreciation of some of the domestic problems which must be considered in connection with any tariff revision.

The Advisory Board on Tariff and Taxation has actively investigated numerous requests referred for investigation. Many public hearings have taken place, and the spirit of the applicants before the Board, the frankness of the discussions, and the impartiality of the commissioners have created a favourable impression among the Canadian people. It is apparent that it is physically impossible for the Advisory Board to investigate thoroughly in a few months the scores of applications which have been referred to it and that time must elapse before the Government can be placed in possession of the fact-findings, especially in those cases where whole tariff schedules are involved.

This Dominion continues to be one of the world leaders in the volume of its external trade; therefore, problems arising in connection with our foreign trade can never be ignored. As the years go by an increasing quantity of our domestic production must necessarily be marketed abroad. It is our desire to trade freely with any and all who are willing to trade with us. What may, or may not, be possible in this particular necessarily depends in some measure on the purchasing power and the fiscal policies of other countries. The policy of this Administration is not a high tariff policy; it is a low tariff policy. Its policy is to encourage production at home and the marketing of our excess of production abroad. In applying this policy both domestic and international factors must of necessity be considered.

TARIFF CHANGES

In accordance with the fiscal policy of the Government, the tariff changes to be submitted to-day are designed to reduce taxation and to lessen the costs of production. The changes to be submitted arise out of references which the Advisory Board on Tariff and Taxation has investigated, and are based on its fact-findings. The Board is continuing its inquiries, on which substantial progress has already been made, into several larger problems which involve the consideration of whole tariff schedules and the inter-relation of many important Canadian industries. While these inquiries are being pursued, opportunity will be afforded for considering the possible effect on trade of changes being proposed in the tariff schedules of other countries, should they be implemented by legislation.

Dealing specifically with the tariff changes proposed in this budget, the resolutions now submitted provide for a revision of certain tariff items of particular interest to the mining industry. In accordance with the traditional policy of assisting the development of our basic industries, the rates of duty on certain machinery and equipment used in the mining industry has been reduced.

There have been various references before the Advisory Board on Tariff and Taxation of interest to those engaged in the fishing industry and it is proposed to assist that industry further by placing certain articles on the free list.

Representatives of the horticultural industry have stated that it would be of assistance if the tariff rates were reduced on certain apparatus for the purposes of bulb sterilization and determining the maturity of fruit. It is proposed to reduce the duty on such apparatus from 20 per cent to 5 per cent under the British Preferential tariff, and from 30 per cent to 10 per cent under the general rate.

Resolutions will be submitted for your approval empowering the Governor in Council, when satisfied that copper bars are being sold in the country of export at a lower price than for export to Canada, to impose, under the general tariff, a duty on copper rods of one-half cent a pound, to equalize such differential as may exist.

Various reductions are submitted affecting items of concern to Canadian industries and are recommended as measures of assistance to producers in order that their cost of production may be reduced.

In all reductions, where applicable, the British Preference has been kept in mind.

REDUCTIONS IN DEBT AND TAXATION

Mr. Speaker, a comparison of the fiscal reports shows that each year our surplus has increased, although annual reductions are made in the rates of taxation. If the duty of Parliament were simply to preserve a balance of revenues over expenditures, the Government might either substantially increase the public undertakings, or, abolish some sources of revenue. The national debt, however, cannot be ignored. The annual interest charges on the funded debt amounting to over 117 millions of dollars, are a direct and pressing charge on the revenues of this country. It is a sound and helpful policy to plan to reduce this non-productive outlay and to do that the national debt itself must annually be reduced. The Government is, therefore, again budgeting for debt reduction.

At the same time, following the settled policy of this Administration, substantial taxation reductions are again proposed. It is the intention of the Government, in addition to other reductions, to abolish as quickly as possible those taxes generally known as "nuisance taxes", and which affect the general public.

Early in the war years, under the Special War Revenue Act, a tax of one per cent was imposed on insurance premiums, other than life or marine. This tax has been a heavy burden to certain companies, particularly farmers' mutuals and the hail insurance companies. This tax is now abolished.

Another tax imposed during the war was the transportation tax, a levy on railway and steamship tickets. It is now felt that this tax can be dispensed with and, effective May 1, it is abolished.

Allied with the transportation tax is the three cent tax on telegrams and cables. This tax was also imposed during the war years. It is another of the nuisance taxes which the Government feels our revenues can do without, therefore, it is proposed to abolish it.

The major reduction will be in the sales tax. This year a reduction of one-third of the tax is proposed. The reduction involves a large loss of revenue, but the tax is burdensome and its gradual disappearance meets with general commendation.

For many years there has been a tax imposed on the sale and transfer of shares of stocks. Instead of a flat rate, it is proposed to classify the tax in four divisions on a graduated scale, ranging from one cent to four cents per share, regardless of par values. The change will simplify the collecting of the tax and at the same time will ensure that the Government receives a more equitable share of the proceeds resulting from the present-day stock market transactions.

The taxation changes just submitted, on the basis of this year's estimated revenues, represent an estimated loss of revenue of approximately \$25,000,000.

The past fifteen years have witnessed the dislocation of many international structures and the financial stability of many countries is not now measured by the possible producing capacity of the citizens, but by the degree of success with which these national governments are able to meet the demands made upon them. Sometimes inability to do so has interfered with general credit and hampered industrial and national expansion.

Happily Canada is not suffering from such a blight. For six successive years the rigid application of a policy of spending less than was collected has made it possible for every activity of the Dominion, including all capital expenditures, to be paid out of current revenues and, in addition, to reduce the national debt. This fiscal record has not only enhanced the international credit of the Dominion, but has also strengthened confidence in our domestic credit markets, thus smoothing the way for the provinces and private enterprise. A healthy business expansion, the Government feels, is of the greatest importance to Canada.

In drafting the fiscal program for the coming fiscal year, the Government has sought to err on the side of caution. The lightening of the burden of taxation is, admittedly, a sane policy, and to that program this Government remains committed. Previous taxation reductions have stimulated business and simplified public financing and it is hoped the experience will again be repeated, but I frankly state that, while the Government is prepared to encourage in every way the national progress of Canada, the Administration will refuse to support any extravagance in the spending of the tax-payers' money. To this policy we again solicit the support of honourable Members in order that at the end of another year it may again be found that, continuing to live within the public income, Canada is able to retire maturing obligations and also to make still further reductions in taxation.

RESOLUTIONS

I beg to give notice that when the House resolves itself into committee I shall move the following resolutions:—

THE CUSTOMS TARIFF

1. Resolved, That it is expedient to amend Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928, by striking thereout tariff items 113, 215, 363, 369, 437, 438b, 442, 448,

453c, 453e, 453g, 460, 460e, 478a, 696, 777, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of said items, and by inserting the following items, enumerations and rates of duty in Schedule A:—

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
112	Cocoanut, desiccated, n.o.p., per pound.....	5 cts.	6 cts.	6 cts.
113	Cocoanut, desiccated, unsweetened, per pound.....	2 cts.	3 cts.	3 cts.
172a	Directories for Free Reference Directory Libraries when imported by publishers of directories for use only in such Free Reference Directory Libraries.....	Free	Free	Free
208f	Fused borax, commercially or generally known as borax glass.....	Free	Free	Free
215	Stearic acid, n.o.p.....	12½ p.c.	17½ p.c.	20 p.c.
215a	Stearic acid, when imported by manufacturers of candles or crayons for use only in their own factories in the manufacture of candles or crayons.....	Free	Free	Free
246a	Zirconium oxide.....	Free	5 p.c.	7½ p.c.
363	Platinum wire and platinum bars, strips, sheets or plates; platinum, palladium, iridium, osmium, ruthenium and rhodium, in lumps, ingots, powder, sponge or scrap...	Free	Free	Free
369	Chronometers and compasses, and parts thereof, including cards therefor, of a class or kind not made in Canada, for ships or aircraft.....	Free	Free	Free
437	Safes, doors for safes and vaults; scales, balances, weighing beams, and strength testing machines of all kinds, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.
438b	Automobiles for conveying passengers only, n.o.p., valued at retail at place of production, when new, with standard equipment complete, at not more than twelve hundred dollars each; motor cars or motor trucks (not for railways or tramways) for carrying goods only; motor cycles or sidecars therefor; chassis for motor vehicles specified in this item.....	12½ p.c.	17½ p.c.	20 p.c.
442	Printing presses, lithographic presses, and type making accessories therefor, also machines specially designed for ruling, folding, binding, embossing, creasing or cutting paper or cardboard, sheet feeding machines, extension deliveries, when for use exclusively by printers, by bookbinders and by manufacturers of articles made from paper or cardboard — including parts thereof composed wholly or in part of iron, steel, brass or wood; machinery and complete parts thereof for printing by photographic methods on plates for use on lithographic and offset presses; stereotypers' and typesetters' blankets or blanketing and press blankets or blanketing used on printing presses, of a class or kind not made in Canada.....	Free	5 p.c.	10 p.c.

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
448	Spraying machines, fruit or vegetable grading machines, apparatus specially designed for sterilizing bulbs, pressure testing apparatus for determining maturity of fruit, incubators for hatching eggs, brooders for rearing young fowl, pruning hooks, pruning shears, hay loaders, potato diggers, fodder or feed cutters, grain crushers, fanning mills, hay tedders, farm or field rollers, post hole diggers, snaths, milking machines, milking machine attachments; centrifugal machines for testing butter fat, milk or cream; pasteurizers for dairying purposes; equipment for generating electric power for farm purposes only, viz: engine, generator, storage battery and switchboard; stumping machines, and other agricultural implements, n.o.p.; and complete parts of articles specified in this tariff item.	5 p. c.	10 p. c.	10 p. c.
453c	Ore crushers, rock crushers, stamp mills, rock drills, percussion coal cutters, coal augers, rotary coal drills, n.o.p., and complete parts of all articles mentioned in this item, when for use exclusively in mining or quarrying operations...	10 p. c.	15 p. c.	20 p. c.
453e	Engines and complete parts thereof, to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats bona fide owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the Minister of National Revenue.	10 p. c.	12½ p. c.	15 p. c.
453g	Machinery, n.o.p., for the concentration of ores, metals or minerals, viz:—flotation machines, flotation cells, pumps, vibrating and impact screens, jigs, magnetic separators and filters, when for use in the concentration or separation of ores, metals or minerals, and integral parts of all articles mentioned in this item.	10 p. c.	15 p. c.	20 p. c.
453j	Ozone generators or airifiers of a class or kind not made in Canada, for use in ventilating garages or automotive work shops.	Free	5 p. c.	10 p. c.
460	Sundry articles of metal as follows, when for use exclusively in mining or metallurgical operations, viz:—diamond drills, not including the motive power; electrically operated rotary coal drills of a class or kind not made in Canada; coal cutting machines, n.o.p.; coal heading machines; core drills; electric or magnetic machines for separating or concentrating iron ores; furnaces for smelting of copper, zinc and nickel ores; converting apparatus for metallurgical processes in metals; copper plates, plated or not; machinery for extraction of precious metals by the chlorination or cyanide processes; amalgam safes; automatic ore samplers; automatic feeders; retorts; mercury pumps; pyrometers; bullion furnaces; amalgam cleaners; blast furnace blowing engines; and integral parts of all machinery mentioned in this item.	Free	Free	Free

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff
460e	Miners' acetylene lamps and parts thereof; miners' safety lamps and parts thereof; accessories for cleaning, filling, charging, opening and testing miners' safety lamps, battery renewal preparations for miners' electric safety lamps; all to be used exclusively in mines....	Free	Free	Free
460f	Face loading machines, shaker trough or belt trough conveyors, air engines, flame proof enclosed driving motors for air engines, and integral parts of all motive power or machinery mentioned in this item, to be used exclusively in mining operations.....	Free	10 p.c.	12½ p.c.
468a	Machinery of a class or kind not manufactured in Canada for use in the manufacture of nets or netting for the fisheries, when imported by manufacturers for use in the making of such nets or netting in their own factories, but not for use in making nets or netting commonly used for sportsmen's purposes.....	Free	5 p.c.	10 p.c.
478a	Iron or steel bands, strips or sheets, number fourteen gauge or thinner, coated, polished or not, and rolled iron or steel sections, not being ordinary square, flat or round bars, whether forged and punched or not, unfinished, when imported by the manufacturers of saddlery hardware and hames for use exclusively in the manufacture of such articles in their own factories.....	Free	Free	Free
523g	Woven fabrics of cotton, or of cotton and wool, whether coated or not coated with rubber, when imported by manufacturers of card clothing for textile machinery, for use exclusively in the manufacture of such card clothing in their own factories.....	Free	Free	Free
541c	Woven fabrics of vegetable fibres, coated or impregnated, imported for use exclusively as "brattice cloth" in underground mining operations.....	Free	10 p.c.	12½ p.c.
569e	Miners' safety helmets, of a class or kind not made in Canada, for use exclusively in mining operations....	Free	Free	Free
618a	Gaskets of rubber for use in the permanent sealing of cans for food products.....	Free	7½ p.c.	10 p.c.
632c	Specially designed needles of a class or kind not made in Canada, for use only in repairing fish nets, when such nets are used exclusively for the fisheries, but not for use in repairing nets for sportsmen.....	Free	Free	Free
682b	Metal swivels, of a class or kind not made in Canada, when used exclusively for the fisheries, not to include swivels for sportsmen's use.....	Free	Free	Free
689b	Equipment, of a class or kind not made in Canada, and integral parts thereof, for distributing stone dust in mines.....	Free	5 p.c.	10 p.c.
695b	Drawings or sketches of garments, but not including patterns, when imported in single copies by manufacturers of garments.....	Free	Free	Free

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
696	Philosophical and scientific apparatus, utensils, instruments, and preparations, including boxes and bottles containing the same; maps, photographic reproductions, casts as models, etchings, lithographic prints or charts; mechanical equipment of a class or kind not made in Canada. All articles in this item, when specially imported in good faith for the use and by order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any college, academy, school, or seminary of learning in Canada, and not for sale, under regulations prescribed by the Minister.	Free	Free	Free

The Governor in Council may, from time to time, when he is satisfied that copper bars are being sold in the country of export for consumption therein at a lower price than for export to Canada, by order in council direct that there be substituted for tariff item 779 in Schedule A to the Customs Tariff, the several enumerations and rates of duty set opposite thereto in said Schedule, the following:—

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff
779a	Copper rods when imported by manufacturers for use in their own factories in the manufacture of electrical conductors, the individual units of such electrical conductors not to exceed the area of No. 7/0 gauge conductor. .per pound	Free	$\frac{1}{2}$ ct.	$\frac{1}{2}$ ct.

From and after the date of the publication in the *Canada Gazette* of any such order in council, said tariff item 779 shall cease to be of force or effect and the provisions of said tariff item 779a shall become operative and have the force of law.

The Governor in Council may also, from time to time, rescind any such order in council, and from and after the date of the publication in the manner aforesaid of any such rescinding order in council, item 779a shall cease to have force or effect and item 779 shall become operative and have the force of law.

2. Resolved, That Schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by inserting in the said Schedule B the following items, enumerations and rates of drawback of customs duties:—

Tariff Item	Goods	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1067	Plate glass, polished, of a class or kind not made in Canada.....	When used in the manufacture of laminated glass.....	99 p.c.
1068	Leather enumerated in tariff item 604 on which duty was paid at the rates of duty set opposite said item.....	When used in the manufacture of gloves and mitts.....	33½ p.c.

3. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the second day of March, one thousand nine hundred and twenty-nine, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for consumption for which no entry for consumption was made before that day.

THE SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927, as amended by chapter fifty of the Statutes of 1928, and to provide:—

1. That Part III of the said Act be amended by repealing the following sections and subsections: Paragraphs (b) and (c) of subsection one, and subsection two, of section thirteen; section fourteen; section fifteen; section seventeen; section eighteen; and section nineteen, thereby repealing the tax on the net premiums received by every company licensed or registered or otherwise authorized to transact in Canada or any province thereof, the business of insurance.

2. That Part IV of the said Act, which imposes a tax on cable and telegraphic messages, be repealed.

3. That Part V of the said Act, which imposes a tax on railway and other tickets, be repealed.

4. That Part VII of the said Act be amended by striking out section fifty-eight and substituting therefor the following:—

58. No person shall sell or transfer the stock or shares of any association, company or corporation, or any bond other than a bond of the Dominion of Canada or of any province of Canada by

(a) agreement for sale;

(b) entry on the books of the association, company or corporation;

(c) delivery of share certificates or share warrants or bond endorsed in blank or payable to bearer; or

(d) any other method whatsoever;

unless in respect of such sale or transfer there is affixed to or impressed upon the document evidencing the ownership of such stock or shares or bond, or a document showing the transfer or agreement for the transfer thereof, an adhesive stamp or a stamp impressed thereon by means of a die of the value of

(a) three cents for every one hundred dollars or fraction thereof of the par value of the bond sold or transferred;

(b) four cents for every share of stock sold or transferred at a price over one hundred dollars per share;

(c) three cents for every share of stock sold or transferred at a price over twenty dollars per share, but not more than one hundred dollars per share;

(d) two cents for every share of stock sold or transferred at a price over three dollars per share, but not more than twenty dollars per share;

(e) one cent for every share of stock sold or transferred at a price of three dollars or less per share.

5. That section eighty-six of the said Act be amended by providing that the rate of the consumption or sales tax be reduced to two per cent.

6. That any enactment founded on paragraph one of this resolution shall be deemed to have come into force on the first day of March, 1929.

7. That any enactment founded on paragraphs two, three and four of this resolution shall come into force on the first day of May, 1929.

8. That any enactment founded on paragraph five of this resolution shall be deemed to have come into force on the second day of March, 1929, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for which no entry for consumption was made before that date.

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BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING

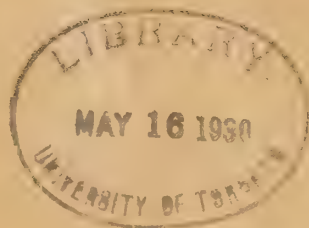
MINISTER OF FINANCE

MEMBER FOR REGINA

IN THE

HOUSE OF COMMONS

MAY 1, 1930



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1930

CANADA

BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING

MINISTER OF FINANCE

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BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING, M.P.
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, MAY 1

1930

Hon. CHAS. A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the House to go into Committee of Ways and Means.

He said: 'Mr. Speaker, before touching on the Dominion's finances for the fiscal year just ended may I survey a few of the events which have indirectly influenced the balance sheet. As we all know, national revenues are dependent on the volume of business transacted. During the year certain unusual factors made themselves felt, in particular, the delayed marketing of the grain crops and the great decline in prices of stocks in the latter months of the year. While these factors are important they cannot be considered as permanently prejudicial to our economic structure.

Looking back over the year, it is noted that substantial development occurred throughout Canada. Many undertakings of magnitude were completed; others made promising progress. Employment throughout industry in general was maintained at a high level, although irregular in some groups, particularly in those which are seasonal, dependent on crops or on a luxury buying demand.

There is, I think, some national significance in the fact that the railways last fall were not called upon to move harvesters to the prairies. It is true that the crop was much smaller than that of the year before, but in many a year when the volume was no larger men had to be brought from the East. It would appear that the increasing population of the prairies, coupled with the many labour and time-saving machines now available to cut, thresh and haul the crops, is bringing about the solution of a problem which has long engaged the attention of Canadians that of seasonal supplies of labour during the harvest period. Western farmers are also advancing along co-operative lines designed to promote orderly marketing of crops. Too much importance cannot be attached to these efforts. Canada's grain

producing power is tremendous. In marketing she must compete with the world. Co-operative effort in the direction of the most economical marketing methods should command the sympathetic support of all Canadians.

While nature, in no small way, influences the volume of produce grown, the same does not apply to the output of our factories. A short time ago a distinguished former Minister of Finance, Sir Thomas White, in addressing the shareholders of a corporation of which he is an officer, made the interesting comment that Canada now ranks seventh in world manufacture, and that the value of industrial production during 1929 was around 4,000 millions of dollars, an increase of about 200 million dollars since the close of 1928. He also stated that the statistics of value added by manufacture, per worker, show that the industrial efficiency of Canada is close to the level established in the United States, which is regarded as the highest in the world. Industrialists recognize that scientific research, coupled with ingenious mechanical inventions, has played an important part in bringing about this increase in per capita production, and it is evident from the figures just quoted that Canadian industry is more than keeping abreast of world development in that respect.

During the past winter some good Canadians became anxious as to the purchasing demand within the Dominion. They were influenced by the falling off in exports due to the slow movement of field crops, and a hesitancy in buying, due to the stock exchange market depression. They recognized that while only a small proportion of our population were speculators in shares, the losses of these had a psychological effect on other groups, thus creating a buyer-market in place of one limited only by the producing capacity of Canadian industry. Might I submit that were the capacity of our productive units greater than the normal non-speculative demand for our products there would be cause for alarm, but such is not the case. The development of our natural resources and industries based thereon has been accompanied by a steady widening of our markets. The outlet for our manufactured goods increases as their reputation grows and finds favour, both at home and abroad. In the stock market crisis our credit agencies stood the test and were always in a position to meet the demands made upon them. These factors forecast the future strength of Canada. That Canadian business, giving the phrase the broad meaning, should be submitted to a double test simultaneously is regrettable, but the result gives us greater confidence and faith in our country. We have marshalled our resources to meet the problems arising from delayed marketing

of the grain crops and, at the same time, absorbed the shock resulting from tens of millions of dollars being suddenly withdrawn from the ordinary reservoirs of credit.

I now come to the presentation of the financial statement for the year. In doing so I claim no personal credit for the favourable statement I have the honour to present. The fiscal policy for the year was planned by one who has now passed from our midst, and whose absence I feel to-day most keenly. Mr. Robb was in command during the first seven months of the period, and the stamp of his personality is to be found throughout the balance sheet and, in particular, on the debt statement.

With the Scot's characteristic dread of debt he annually budgeted for debt reduction, and in the past seven years attained for Canada greater success, relatively, than has been achieved by any country which took part in the Great War from the outbreak of hostilities. Annually the debt has decreased and, in the year under review, a record which may stand as a monument to his memory was made when two loans, totalling \$80,000,000, were redeemed out of accumulated revenue surpluses.

During the year the Board of Audit, on the instructions of the Treasury Board, made a survey of the operations of the Soldier Settlement Board. Their report was laid on the table of Parliament on February 24, and it will be recalled that one of the Board's recommendations was that a further sum of \$10,000,000 of Soldier Settlement Board loans be transferred from active to non-active assets. It is the opinion of the Board of Audit that this amount, together with the \$14,000,000 which was transferred to non-active assets in 1927-28, should provide for all losses which might reasonably be anticipated. In accordance with this recommendation the transfer was made.

REVENUES

Dealing first with the revenues, may I state that while the fiscal year ended on the 31st of March, the final accounting has not been completed. Consequently, minor changes may later be made in the figures now given.

Last session a number of what are generally known as "nuisance" taxes were abolished, and a substantial reduction was made in the sales tax. These reductions, it is estimated, have decreased our revenues by \$20,835,000. There will also be a reduction in the net revenues from customs duties of over \$7,600,000.

On the other hand, certain revenue sources show increases. The estimated revenues from the income tax are \$9,700,000 in excess of the amount collected a year ago. The Post Office

revenues are estimated at \$2,700,000 above last year's; excise duties have increased by \$1,295,000, and returns from investments \$1,000,000. In all, \$378,321,000 is the estimated revenue from taxation, while receipts from other sources are estimated at \$61,985,000, thus making the estimated ordinary revenues for the fiscal year \$440,306,000. To this should be added special receipts and credits of \$7,016,000, making the estimated total of all revenues \$447,322,000, as compared with actual revenues of \$461,647,000 in the fiscal year 1928-29.

With the permission of the House I place on Hansard a comparative statement of the estimated revenues for the fiscal year 1929-30 and the actual revenues received during the previous fiscal year.

REVENUES

	Actual 1928-29	Estimated 1929-30	Increase	Decrease
—				
ORDINARY REVENUE	\$	\$	\$	\$
Taxation Revenue—				
Customs Import Duties.....	187,206,332	179,540,000		7,666,332
Excise Duties.....	63,684,954	64,980,000	1,295,046	
War Tax Revenues—				
Excise Taxes (Sales, Stamps, etc.).....	83,007,283	63,000,000		20,007,283
Income Tax.....	59,422,323	69,155,000	9,732,677	
Delayed Business Profits Tax.....	455,232	172,000		283,232
Miscellaneous Taxes.....	2,144,904	1,474,000		670,904
Total Revenue from Tax- ation.....	395,921,028	378,321,000	11,027,723	28,627,751
Interest on Investments.....	12,227,562	13,300,000	1,072,438	
Post Office Revenue.....	30,611,964	33,345,000	2,733,036	
Dominion Lands and Parks.....	4,070,339	4,100,000	29,661	
Canada Grain Act.....	2,992,541	1,950,000		1,042,541
Miscellaneous Receipts.....	9,640,440	9,290,000		350,440
Total Ordinary Revenue..	455,463,874	440,303,000	14,862,858	30,620,732
SPECIAL RECEIPTS AND CREDITS				
German Reparation Payments—				
Under Dawes Plan.....	4,025,165	4,600,000	574,835	
Sundry Credits including Cana- dian Wheat Board Surplus.....		173,000	173,000	
Refunds and credits on account of Previous Year's Expenditure—				
Adjustment of War Claims....	789,247	35,000		754,247
Capital Account.....	706,296	2,208,000	1,501,704	
Received from Imperial Govern- ment in final settlement of out- standing claims and counter claims arising out of the war..	662,442			662,442
	461,647,024	447,322,000	17,112,397	31,437,421 17,112,397
Estimated decrease.....				14,325,034

EXPENDITURES

For the last fiscal year the ordinary expenditures are estimated at \$360,050,000 as compared with \$350,952,924 actually spent in the previous fiscal year.

\$25,342,000 is estimated for expenditures on capital account, all being paid out of the revenues for the year. The more important items are \$10,000,000 for the new Welland Ship Canal, and \$6,500,000 for the Hudson Bay Railway and terminals. In connection with the St. Lawrence River Ship Channel, it is estimated that \$2,700,000 were spent and, in addition, the construction of regulating and retaining dams in that river cost \$400,000. Half a million dollars were spent in improving the harbours at the head of the Great Lakes, while \$1,500,000 is the estimated expenditure on account of the construction of the Lower Lakes terminals. The other major items under capital account are \$1,900,000 spent in constructing new public buildings in Ottawa.

Before leaving this phase of our expenditures, may I be permitted to address a brief comment to those who study and compare the public accounts over periods of years. All governments make expenditures on capital account and frequently such undertakings are carried out by the use of borrowed capital. With that practice I find no fault, but may I emphasize the fact that in the past seven fiscal years it has been possible to carry out all capital expenditures of the Dominion without borrowing. The 132 millions of dollars thus spent have been provided out of the revenues collected in the usual way. In addition 74 millions have been paid out of revenue in the form of non-active loans to the railways and other publicly-controlled bodies without borrowing for the purpose.

Loans and advances of the character just referred to have been made during the year and, being non-revenue producing, are treated as expenditures. Under this head the largest item is \$2,933,000 for the deficits of the Canadian National Railways. \$1,629,000 was paid to the Canadian Government Merchant Marine, and \$862,000 to the Canadian National (West Indies) Steamships, Limited. The other advance under this head is the sum of \$2,821,000 to the Quebec Harbour Commission.

For the information of honourable members, may I be permitted to place on Hansard a detailed comparison of the estimated expenditures for the last fiscal year with the actual expenditures for the fiscal year 1928-29.

EXPENDITURES

	Actual 1928-29	Estimated 1929-30	Increase	Decrease
ORDINARY EXPENDITURE	\$	\$	\$	\$
Interest on Public Debt.....	124,989,950	121,750,000		3,239,950
Pensions.....	41,487,323	40,350,000		1,137,323
Subsidies to Provinces.....	12,553,724	12,497,000		56,724
Soldier and General Land Settlement Administration.....	1,441,951	1,350,000		91,951
Pensions and National Health.....	8,825,960	9,780,000	954,040	
National Revenue.....	12,876,760	13,300,000	423,240	
Post Office.....	33,483,058	35,400,000	1,916,942	
National Defence.....	18,024,061	20,400,000	2,375,939	
Agriculture.....	7,201,566	9,400,000	2,198,434	
Public Works—Income.....	17,003,254	18,100,000	1,096,746	
Ocean and River Service.....	3,683,256	4,950,000	1,266,744	
Lighthouse and Coast Service...	2,812,900	3,350,000	537,100	
Fisheries.....	1,974,118	2,120,000	145,882	
Dominion Lands and Parks.....	4,986,962	5,380,000	393,038	
Trade and Commerce.....	4,476,131	5,180,000	703,869	
Special Grants to Maritime Provinces.....	1,600,000	1,600,000		
Maritime Freight Rates Act— Due to 20% Reduction in Freight Rates.....	2,758,893	2,874,000	115,107	
Deficit on Eastern Lines (C.N.R.).....	4,418,645	4,527,000	108,355	
Old Age Pensions Act.....	832,687	1,560,000	727,313	
Federal District Commission...	2,189,960	380,000		1,809,960
Civil Government.....	11,819,981	12,420,000	600,019	
Other Expenditures.....	31,511,784	33,382,000	1,870,216	
Total Ordinary Expenditure.	350,952,924	360,050,000	15,432,984	6,335,908
SPECIAL EXPENDITURES				
Reparations—				
Claims for Compensation.....		6,700,000	6,700,000	
Adjustment of War Claims.....	119,848	95,000		24,848
Miscellaneous Charges to Consolidated Fund.....	2,067,153	2,383,000	315,847	
CAPITAL EXPENDITURE				
Public Works—Canals.....	13,680,064	10,249,000		3,431,064
Railways.....	6,449,849	6,551,000	101,151	
Miscellaneous.....	3,385,658	8,542,000	5,156,342	
LOANS AND ADVANCES NON-ACTIVE				
Canadian Government Merchant Marine.....	758,000	1,629,000	871,000	
Canadian National (West Indies) Steamships.....		862,000	862,000	
Quebec Harbour Commission...	2,888,000	2,821,000		67,000
Canadian National Railways....		2,933,000	2,933,000	
	380,301,496	402,815,000	32,372,324 9,858,820	9,858,820
			22,513,504	

It has been the practice during the past several years to also place on Hansard a statement of the estimated revenues and expenditures, by services, showing, by means of percentages, their relationship to the whole and, with the consent of the House, this will again be done. In doing so may I be permitted to emphasize the annual burden which still exists, and

will continue for many years, on account of the Great War. Over 39 per cent of the total expenditures is directly attributable to the War, while receipts from the War taxes represent about 30 per cent of the revenues. The largest item of expenditure is the interest account which, it will be noted, decreased \$3,239,950 during the year. War pensions amounting to thirty-nine millions represent almost 10 per cent of the total expenditure for the year. This statement will now be tabled:

ESTIMATED REVENUE FOR THE FISCAL YEAR 1929-1930 BY SERVICES WITH PERCENTAGES OF TOTAL REVENUES

	Amount	Percentage of Total Revenue
ORDINARY REVENUE		
Special War Tax Revenue—		
Excise Taxes (Sales, Stamps, etc.).....	63,000,000	14-08
Income Tax.....	69,155,000	15-46
Delayed Business Profits Tax.....	172,000	0-04
Miscellaneous Taxes.....	1,474,000	0-33
Total Special War Tax Revenue.....	133,801,000	29-91
Customs Import Duties.....	179,540,000	40-14
Excise Duties.....	64,980,000	14-52
Total Revenue from Taxation.....	378,321,000	84-57
Interest on Investments.....	13,300,000	2-97
Post Office Revenue.....	33,345,000	7-45
Dominion Lands and Parks.....	4,100,000	0-92
Canada Grain Act.....	1,950,000	0-44
Miscellaneous Receipts.....	9,290,000	2-08
Total Ordinary Revenue.....	440,306,000	98-43
SPECIAL RECEIPTS AND CREDITS		
German Reparation Payments—		
Under Dawes Plan.....	4,600,000	1-03
Sundry Credits including Canadian Wheat Board Surplus	173,000	0-04
Refunds and Credits on account of Previous Years' Expenditure—		
Adjustment of War Claims.....	35,000	0-01
Capital Account.....	2,208,000	0-49
	447,322,000	100

ESTIMATED EXPENDITURES

For the Fiscal Year 1929-30

By services with percentages of total expenditures

	Amount	Percentage of Total Expenditure
PRINCIPAL EXPENDITURE ATTRIBUTABLE TO THE GREAT WAR		
Interest on Public Debt (Increase over 1914).....	108,857,000	27-02
War Pensions.....	39,000,000	9-68
Treatment and after care of Returned Soldiers (Pensions & National Health).....	8,757,000	2-17
Soldier Land Settlement Administration.....	1,350,000	0-34
Imperial War Graves Commission.....	574,000	0-14
Battlefields Memorials.....	170,000	0-04
Adjustment of War Claims.....	95,000	0-03
	158,803,000	39-42

ESTIMATED EXPENDITURES—*Concluded*

	Amount	Percentage of Total Expenditure
OTHER FIXED AND PUBLIC DEBT CHARGES		
	\$	
Interest on Public Debt (as of 1914).....	12,893,000	3.20
Other Pensions.....	1,350,000	0.34
Superannuation.....	1,400,000	0.35
Subsidies to Provinces.....	12,497,000	3.10
Expenses of Loan Flotations.....	18,000	.....
Premium, Discount and Exchange.....	73,000	0.02
	28,231,000	7.01
GENERAL EXPENDITURE		
Charges of Management.....	1,020,000	0.25
Civil Government.....	12,420,000	3.08
Administration of Justice.....	2,200,000	0.55
Legislation.....	2,330,000	0.58
Penitentiaries.....	2,677,000	0.66
Agriculture.....	9,400,000	2.33
Immigration and Colonization.....	2,750,000	0.68
Pensions and National Health—Health Branch.....	1,023,000	0.25
National Defence.....	20,400,000	5.06
Royal Canadian Mounted Police.....	3,007,000	0.75
Public Works—Chargeable to Income.....	18,100,000	4.49
Railways and Canals—Chargeable to Income.....	1,233,000	0.31
Mail Subsidies and Steamship Subventions.....	1,121,000	0.28
Ocean and River Service.....	4,950,000	1.23
Lighthouse and Coast Service.....	3,350,000	0.83
Steamboat Inspection.....	143,000	0.04
Fisheries.....	2,120,000	0.53
Mines and Geological Survey.....	910,000	0.23
Scientific Institutions.....	1,116,000	0.28
Indians.....	5,150,000	1.28
Government of the Northwest Territories.....	605,000	0.15
Government of the Yukon Territory.....	224,000	0.05
Miscellaneous.....	1,466,000	0.36
National Revenue (Outside Service).....	13,300,000	3.30
Post Office (Outside Service).....	35,400,000	8.79
Public Works—Collection of Revenue.....	930,000	0.23
Railways and Canals—Collection of Revenue.....	2,523,000	0.63
Dominion Lands and Parks.....	5,380,000	1.33
Trade and Commerce.....	5,180,000	1.29
Labour.....	828,000	0.21
Public Printing and Stationery.....	210,000	0.05
External Affairs.....	720,000	0.18
Miscellaneous Consolidated Fund Charges.....	2,365,000	0.59
Capital Expenditure—		
Public Works—Canals.....	10,249,000	2.54
Public Works—Railways.....	6,551,000	1.63
Public Works—Miscellaneous.....	8,542,000	2.12
	189,895,000	47.14
Total Estimated Expenditure on Government Services.....	376,929,000	93.57
OTHER EXPENDITURES		
Maritime Freight Rates Act—Estimated amount required—		
Due to 20% reduction in freight rates.....	2,874,000	0.71
Deficit on Eastern Lines (C.N.R.).....	4,527,000	1.13
Special Grant to the Maritime Provinces.....	1,600,000	0.40
Old Age Pensions Act.....	1,560,000	0.39
Federal District Commission Act.....	380,000	0.09
Reparation Payment Act, 1929 (Claims for Compensation).....	6,700,000	1.66
Loans to Quebec Harbour Commission.....	2,821,000	0.70
Loans to Canadian Government Merchant Marine.....	1,629,000	0.41
Loans to Can. Nat. (West Indies) Steamships Ltd.....	862,000	0.21
Loans to Canadian National Railways.....	2,933,000	0.73
Grand Total.....	402,815,000	100

The revenue and expenditure statements may now be summarized. The ordinary and special receipts amount to \$447,322,000. The total expenditures for all purposes amount to \$402,815,000, thereby leaving an estimated surplus of revenues over all expenditures of \$44,507,000.

THE NATIONAL DEBT

During the year two loans fell due and were retired by utilizing surplus revenues available after the expenditures of the Dominion had been met. The first loan to mature was the ten-year 5½ per cent loan of 1919. It was for \$60,000,000, and fell due in New York on the first of August. Previous to the date of maturity \$5,400,000 of these bonds were purchased in the open market and, as a result, a saving of \$146,000 in interest was effected. The balance of the loan was redeemed in cash at maturity.

On the 1st of February, 1930, the four-year four and a half per cent \$20,000,000 loan issued in 1926 matured, and was paid off out of surplus revenues. The retirement of these two issues, aggregating \$80,000,000, creates a new peak in debt retirement, and will result in the saving of \$4,200,000 in interest charges this year.

The annual interest charges on outstanding bonds, debentures and treasury bills in the hands of the public now amount to \$112,900,000. This is \$20,500,000 less than the corresponding interest charges were at the commencement of the fiscal year 1922-23. The reduction has been brought about by savings of \$5,100,000 through the refunding of loans at lower interest rates and \$15,400,000 by the actual retirement of maturing loans.

Since the 1st of April, 1925, substantial reductions have been made in the outstanding Public Debt by the redemption of maturing loans, in whole or in part, out of surplus revenues. These retirements, together with the bonds and stock acquired as sinking funds, make a total of \$257,800,000 of debt retired out of surplus revenues during the past five years.

For the information of honourable members I now place on Hansard a statement showing the debt retired each year.

OUTSTANDING PUBLIC DEBT RETIRED OUT OF SURPLUS REVENUE DURING THE YEARS 1925-1926 TO 1929-1930

Fiscal Year	Maturing Loans Retired	Bonds and Stocks acquired for Sinking Funds	Total
	\$	\$	\$
1925-26	18,571,834	3,584,841	22,156,675
1926-27	33,000,000	3,313,141	36,313,141
1927-28	61,759,650	3,418,686	65,178,336
1928-29	52,167,100	3,462,312	55,629,412
1929-30	74,577,800	4,011,575	78,589,375
Total during 5 years	240,076,384	17,790,555	257,866,939

At the close of the fiscal year the unmatured funded debt was \$2,250,837,336. Of this amount \$56,090,000 are held as sinking funds, leaving \$2,194,746,563 outstanding in the hands of the public.

The debt financing program of the present year will not be a serious problem. There is one maturing loan. It consists of 4 per cent Treasury Notes to the amount of \$45,000,000, and falls due on December 1. There is, of course, under consideration the much larger question of re-financing the 1933 and 1934 loans totalling \$982,000,000, in order that the Dominion may secure the lowest possible interest charges and at the same time re-finance without restricting the money credits necessary for the development of Canada. In recent years it has been possible to redeem maturing loans out of surplus revenues, thus immediately relieving the Canadian taxpayer. It is obvious that the large maturities of 1933 and 1934 cannot be met out of surplus revenues. Careful consideration is now being given to the best method of spreading maturity dates of refunding loans and also to the desirability of broadening the application of the sinking fund principle, so that when these major re-financing operations are undertaken the requirements of this decade, as well as the possible problems of the future, will be met in a sound and comprehensive manner.

With the permission of the House, I will now place on record a statement showing the unmatured funded debt held by the public.

UNMATURED FUNDED DEBT HELD BY THE PUBLIC

Maturing dates by years

Date of maturity	Name of loan	Rate	Where payable	Amount of loan	Amount maturing during year
		<i>cr</i> <i>70</i>		\$ cts.	\$ cts.
1930 Dec. 1	3 Year Notes.	4	Canada and New York		45,000,000 00
1931 April 1...	Pub. Service Loan 1916	5	New York	25,000,000 00	
Oct. 1	War Loan 1916-31.	5	Canada.....	52,931,600 00	
					77,931,600 00
1932 Nov. 1	Renewal Loan 1922.	5½	Canada		73,325,150 00
1933 Nov. 1	Victory Loan 1918.	5½	Canada.....		446,659,950 00
1934 Nov. 1	Victory Loan 1919.	5½	Canada.....	511,910,650 00	
June 1	Loan of 1884	3½	London.....	23,467,206 27	
					535,377,856 27
1935 Aug. 1	Loan 1915-35	5	Canada and New York		874,000 00
1936 Feb. 1	Loan 1926-36	4½	New York		40,000,000 00
1937 Dec. 1	Victory Loan 1917.	5½	Canada.....	236,299,850 00	
Mar. 1	War Loan 1917-37.	5	Canada and New York	90,166,900 00	
					326,466,750 00
1938 July 1	Loan 1888...	3	London.....	8,071,230 16	
July 1	Loan 1892...	3	London.....	18,250,000 00	
July 1	Loan 1894...	3	London.....	10,950,000 00	
July 1	C.P.R. Loan.	3½	London.....	15,056,006 66	
					52,327,236 82
1940 Sept. 1	Refunding Loan 1925.	4½	Canada		75,000,000 00
1943 Oct. 15...	Refunding Loan 1923.	5	Canada		147,001,100 00
1944 Oct. 15	Refunding Loan 1924.	4½	Canada		50,000,000 00
1946 Feb. 1	Refunding Loan 1926.	4½	Canada		45,000,000 00
1947 Oct. 1	Loan 1897...	2½	London		4,888,185 64
1950 July 1	Loan 1930-50	3½	London		137,058,841 00
1952 May 1	Loan 1942-52.	5	New York		100,000,000 00
1960 Oct. 1	Loan 1940-60	4	London		93,926,666 66
					2,250,837,336 39

	\$ cts.
Payable in Canada	1,637,254,300 00
Payable in Canada and New York.....	136,040,900 00
Payable in New York	165,874,000 00
Payable in London	311,668,136 39
	2,250,837,336 39
Less Bonds and Stocks of the above loans held as Sinking Funds	56,090,772 82
	2,194,746,563 57

FINANCING OF SUBSIDIARY ENTERPRISES

A brief review will now be made of the financial commitments of the Government in the past year in connection with the operations of the Canadian National Railways and Steamships, the several Harbour Commissions and the Canadian Farm Loan Board. These separately operated bodies receive assistance from the Treasury, under the authority of Parliament, either directly, in the form of cash loans, or indirectly, by way of the guarantee of securities. The practice, in past years, so far as the Public Accounts are concerned, has been to treat cash loans which pay interest as active assets and those that are not interest-producing as non-active assets. The guaranteed securities, which are issued in respect of capital investments, are shown in the balance sheet as indirect liabilities. The same course has been followed this year.

CANADIAN NATIONAL RAILWAYS

Under the extraordinary business conditions prevailing last Fall, particularly with reference to the crop movement, earnings of railways were severely reduced. The accounts of the Canadian National Railways for 1929 show net earnings of \$36,389,058 available to pay interest on securities in the hands of the public. Interest charges amounted to \$45,258,920, the resulting deficit being \$8,869,862. This result reflects not only the loss in revenues due to the causes mentioned, but also the increase in fixed charges resulting from the large necessary expenditures which have been undertaken in recent years on capital account for branch lines, terminals, rolling stock, and other additions and improvements.

Without going into greater detail, it will suffice to say that the government has paid the amount which officers of the Company have certified as being the combined net cash deficit for the Railway years 1928 and 1929, and which amounted to \$2,932,652.91. The amount paid was greater than the actual difference between the System deficit of 1929 and the surplus of 1928, due to the fact that certain items which take their place in the accounts are eliminated when estimating cash requirements, the most important item being the 1929 surplus on the Grank Trunk Western which is now dealt with separately for financing.

The current financial requirements of the Canadian Government Merchant Marine Limited, amounting to \$1,628,907.21, mainly for operating deficits, and of the Canadian National (West Indies) Steamships Limited of \$862,389.98, for operating deficits and interest, have also been paid in cash as loans (non-

active) to these corporations. In addition, \$4,526,645 has been paid as a charge on the Consolidated Revenue Fund in respect of the Eastern Lines, Canadian National Railways, for deficits arising over and above the amount represented by the reductions in tolls under the Maritime Freight Rates Act. The amount, therefore, which the Government paid in the past fiscal year as a direct charge on its revenues in respect of these transportation services, is \$9,950,595.10, made up as follows:

Canadian National Railway Company.....	\$ 2,932,652 91
Canadian Government Merchant Marine Limited.....	1,628,907 21
Canadian National (West Indies) Steamships Limited.....	862,389 98
Eastern Lines, Canadian National Railways.....	4,526,645 00
	<u>\$ 9,950,595 10</u>

GUARANTEED SECURITIES

The guarantee of the Dominion was given in 1929 to bond issues of the Canadian National Railway Company, aggregating \$120,000,000. There were two issues of \$60,000,000 each, one dated July 1, 1929, and the other October 1, 1929, bearing interest at 5 per cent and maturing in forty years, subject to prior redemption. The issues were sold by tender to the highest bidder. The proceeds of these flotations were devoted, in part, to the payment of \$40,000,000 of temporary bank loans outstanding at the end of 1928. The remainder has been or will be used for capital purposes as voted in the general railway budget or authorized under special acts relating to the acquisition of railways and construction of branch lines and terminals.

With the permission of the House, I shall place on Hansard a statement indicating the authority under which these borrowings were made and guaranteed, and the amount of securities issued in each case.

CANADIAN NATIONAL RAILWAY COMPANY GUARANTEED BOND ISSUES IN 1929

Authority	Securities isued
Railway Loan Appropriation, 1929-30.....	49,656,805 31
Branch Lines Construction, Special Acts.....	8,710,609 60
Toronto Terminals Railway Act.....	232,516 03
Canadian National Montreal Terminals Act.....	7,300,000 00
Acquisition of Railways, Special Acts, 1921:	
Quebec, Montreal & Southern Railway.....	6,198,645 41
Inverness Railway.....	387,415 34
Kent Northern Railway.....	61,986 45
Quebec Oriental Railway, and the Atlantic, Quebec & Western Railway.....	3,615,876 49
Northern Alberta Railways.....	3,409,254 97
Repayment \$40,000,000 Temporary Loan, 1928, isued under the Appropriation Acts of 1927 and 1928 and the Canadian Northern Income Charge Act, 1928 (refunding).....	40,426,890 40
	<u>\$ 120,000,000 00</u>

Reference should also be made to two other guaranteed issues which fall outside the 1929 railway fiscal year but within that of the Government. An issue of \$18,000,000 4½ per cent Dominion Guaranteed Bonds of the Canadian National Railway Company matured on February 15, 1930, and was provided for by the issue of a like amount of 5 per cent forty-year bonds, guaranteed under the Canadian National Refunding Act of 1929.

Under legislation passed in 1927, an expenditure not exceeding \$10,000,000 was authorized in connection with the establishment by the Canadian National (West Indies) Steamships, Limited, of a mail, passenger and freight steamship service between Canada and the West Indies. The cost of five new ships and the expenses of converting vessels transferred from the Merchant Marine fleet were financed during construction by bankers' loans. As of March 1, 1930, an issue of five per cent twenty-five year bonds amounting to \$9,400,000 was made and guaranteed, this being the amount necessary to provide for the capital cost of establishing the service. The temporary bank loans have been paid off. Both these issues were sold by tender to the highest bidder.

HARBOUR COMMISSIONS

During the fiscal year, the Treasury has been called upon to finance capital expenditures of the several Harbour Commissions, amounting to \$10,436,000. Details of the loans made to them are shown in the statement which I now place on record.

LOANS TO HARBOUR COMMISSIONS IN 1929-30

Montreal Harbour Commission.....	\$ 4,336,000	
Less matured loan repaid.....	1,000,000	
		\$ 3,336,000
Quebec Harbour Commission.....		2,821,000
Three Rivers Harbour Commission.....		136,000
Chicoutimi Harbour Commission.....		815,000
Saint John Harbour Commission.....		1,711,000
Halifax Harbour Commission.....		1,272,000
Vancouver Harbour Commission.....		345,000
		<u>\$ 10,436,000</u>

During the year, the Board of Audit, upon direction of the Treasury Board, made investigations into the financial affairs of the various harbour commissions. Reports have been received from the Board and tabled in the House. Some recommendations are made, particularly with respect to provision for sinking funds and replacements, which will have the attention of the Government and Commissions concerned.

CANADIAN FARM LOAN BOARD

The Canadian Farm Loan Act authorizes the Government to provide an initial capital not exceeding \$5,000,000 for the operations of the Board, and also requires the Dominion to subscribe for capital stock to the extent of five per cent of the loans outstanding. Initial capital paid by the Dominion Treasury to the Board in 1929-30, the first year of the Board's operations, amounted to \$2,400,000, and subscriptions to capital stock to \$59,023.

TRADE

The past fiscal year was marked by a decline of \$244,000,000 in the value of our visible exports. In the trade between Canada and the countries of South America there were increases in both imports and exports. There was a decrease in the unfavourable visible trade balance between Canada and the United States of \$35,800,000 during the fiscal year. There was no material change in the trade with Africa, but both imports and exports decreased between Canada and the Asiatic countries. No appreciable increase is to be noted in the imports from either Great Britain or the European countries, but major decreases in transatlantic exports reduced the visible trade balance with that area. In all, the preliminary statistics for the last fiscal year show imports to the value of \$1,248,200,000, of which 429 millions entered duty free. The exports were valued at \$1,144,900,000, thus leaving an adverse balance in visible trade of \$103,300,000.

Canada's largest volume of trade continues to be with the United States. During the year our total imports from that country decreased \$20,500,000, as compared with the previous year, while Canada's total exports to the Republic increased \$15,300,000.

The decrease in exports to the United Kingdom and the European countries is apparently in grains. Total exports to the United Kingdom decreased 148 millions of dollars, but during the period our exports of grain to the United Kingdom decreased by 138 millions of dollars. The same influences have affected the sales to the continent of Europe. There was, in comparison with the previous year, a decrease of 80 million dollars in the value of our exports to the continent, but the decrease in value of exports of grains amounted to \$81,000,000. In consequence, as there are still large quantities of grain available for marketing, it is reasonable to anticipate a gradual readjustment of our trade balance with the United Kingdom and Europe.

In comparing the imports from all countries, a large increase is to be found in the petroleum group, owing to imports of crude petroleum having increased by over \$13,000,000. Another increase among specific groups was in electrical apparatus where imports expanded by over twelve million dollars. Principal import decreases in specific group sections include the automotive vehicle group which fell off by \$28,000,000, and farm implement imports by \$10,000,000.

On the export side three groups show material depreciation. Grains were down \$243,000,000; flour exports decreased by \$20,000,000, and dairy products by \$8,000,000. On the other hand among the increases in exports are: Farm implement exports which increased by \$2,500,000; exports of paper and its products were up \$3,000,000; aluminum and its products \$6,800,000; copper and its products increased by \$11,000,000 and precious metals by nearly twenty-two millions.

A study of the records shows that when cereal crop items are separated, the past year maintained a steady level in volume of exports of goods. It also emphasizes the development in the mining industry, which is demonstrated by a study of the imports of certain classes of mining machinery, which were recently given favourable treatment by this House, and which increased to over \$11,000,000 in the period under review.

During recent years the growth in production in agriculture, lumbering, mining and manufacturing, has been supplemented by a new activity which is usually termed tourist business. Various estimates are made as to the money spent by tourists in Canada. Some estimate that it was in excess of \$300,000,000 last year. The exact amount does not concern us at the moment, the more important phase being the continued growth of this form of trade and its development to a higher standard. We have magnificent national parks and excellent transportation facilities. No country in the world has better hotel service than Canada, and each year substantial additions are made. Attention has been directed recently to the sales opportunity represented by this tourist traffic. Is there any reason why trade in quality goods should not be increased? Many commodities can be purchased in Canada more cheaply than in the countries from which the tourists come. The provincial and the municipal authorities, the transportation companies and the Dominion Government may co-operate and bring tourists to the doors of Canadian shops; after that, success depends on the initiative of the retailer and the maker of the goods offered for sale. With this seasonal influx of eighteen million visitors, it should be our aim to develop an extensive market and thus enlarge the benefits of the tourist trade.

INCOME TAX

Turning now to taxation matters, in connection first with Income Tax, it is proposed that the corporation rate of tax shall be paid in respect of undistributed income when such undistributed income is received by a corporation on the sale or winding up of another corporation.

It is also proposed that the corporate rate of taxation shall be imposed on family corporations in respect of the interest therein of non-resident shareholders and also that directors, officers and employees of a Canadian company who reside abroad shall be taxable in respect of the dividend and interest income received from the company.

A further amendment provides for exemption from Income Tax for bona fide Co-operative Companies and Associations.

Government or other like annuities are to be exempt from Income Tax to the extent of Five Thousand Dollars.

It is proposed also that an exemption of Five Hundred Dollars each, the same as for dependent children, be granted for dependent parents, grandparents, brothers, sisters, sons and daughters, who are incapable of self support, owing to mental or physical infirmity.

It is also proposed that donations to any church, university, college, school or hospital in Canada shall be treated as deductions from income up to a maximum of ten per cent of the net income of the taxpayer.

All these Income Tax amendments apply with respect to 1929 income.

TAX ON SALES OF SHARES

A readjustment of the scale of taxation on the sale and transfer of shares is proposed, which will have the effect of materially reducing taxation on shares of low value.

SALES TAX

A further major reduction is proposed in the Sales Tax by reducing it to one-half the present rate. It is estimated that this proposal effects a reduction in taxation of approximately Twenty-Two Million Dollars.

These reductions in taxation constitute a further step in the Government's policy which has been steadily applied for some years past, of reducing the Public Debt and at the same time reducing the burden of taxation.

TRADE AGREEMENTS

Regarding Trade Agreements, I had hoped to be able to announce the definite completion of a Trade Agreement with Newfoundland, following negotiations which took place in Ottawa with the Prime Minister of that Dominion.

Definite final word, however, has not yet been received from Newfoundland, but I hope before this session is concluded to be able to present the proposed agreement to Parliament.

With respect to New Zealand, as already intimated to Parliament, the Government of Canada has proposed to the Government of that Dominion that a direct trade agreement be negotiated to supersede the present arrangement.

We hope to be able to arrange for meetings of representatives of both countries in the near future in order to endeavour to reach a mutually satisfactory agreement. In any event the present arrangement will cease on October twelfth next. Following that date Canada will extend her full British Preference to New Zealand, pending the completion of a direct agreement.

CUSTOMS TARIFF

In connection with the Customs Tariff, an amendment is proposed relating to excise taxes in foreign countries and the valuation for special or dumping duty.

At present excise taxes are not added to cost in valuing goods for duty which come from Great Britain and it is proposed to extend this provision to all countries, the produce of which enters Canada under the Intermediate or any more favourable tariff.

During the past few years, the Canadian people have had every opportunity to be heard in connection with Tariff matters through the establishment of the Tariff Advisory Board. The degree of confidence displayed has steadily grown as is evidenced by the printed records of public hearings. Gradually in past budgets the effects of this system of public enquiry have become apparent and the printed reports of the hearings have facilitated the work of the Government and of this House.

This budget will extend further than ever before revision of the tariff structure based upon inquiries made by the Board.

IRON AND STEEL

Amendments in the wording, structure and rates of the Iron and Steel schedules are the results of months of investigation by the Tariff Advisory Board, involving many public sittings and intensive technical research. This inquiry early revealed that many items were obsolete in wording; that many others

were lacking in accurate and definite description; that the classification and structure of the schedule had not kept pace with modern developments in metallurgy, manufacturing and merchandising; and that the actual rates, in scores of cases, had lost the relationship, one to another, that once marked them.

Active and intelligent leadership in the prolonged inquiry now ended was given by the Tariff Advisory Board, both at the public hearings, which are now a matter of record, and the private research and investigation which had to go hand in hand with the hearing of evidence. Officers of the Board and their experts have won the commendation of the industry for their efficiency and impartiality.

The labours of the Tariff Advisory Board could not have been successful, however, had it not received the active cooperation of all branches of the industry itself. Scores of manufacturers have given ungrudgingly their personal time and the services of their technical officers; importers and jobbers have placed at the disposal of the Board their staffs, warehouses and books; laboratory and research experts have been detailed to assist the Board's own investigators; and no fewer than two hundred different firms, associations and interests participated actively in the weeks of open hearings at which information was being placed on record for Parliament and the Public.

Various government departments—notably those of National Revenue, Mines and the Bureau of Statistics—rendered valuable assistance.

For the first time in the history of tariff-making in Canada, there was publicly presented to the industry a suggested wording for classification purposes, some six thousand copies of which were distributed by the Board before the demands of interested parties were satisfied. This classification was the subject of a final public hearing at which it was considered, item by item, and at which the Board received definite suggestions regarding wording, arrangement and rates of duty.

The Iron and Steel schedule may be said to rank first in the Tariff in length, intricacy and importance. Its relationship to our national life is illustrated by the fact that the industries concerned employ over *one hundred and twenty thousand* people in over *eleven hundred* plants with an aggregate annual payroll of about *One Hundred and Seventy Million Dollars*.

In revising the schedule the Government has kept in mind *first*, the national necessity of maintaining an efficient and self-reliant Iron and Steel industry supplying Canadian consumer demand at reasonable prices, and, *second*, the national desire to facilitate trade, in iron and steel products, with those countries which facilitate export trade from Canada.

These considerations have been kept in mind throughout the schedule but particularly in those sections which cover Crude, Primary and Secondary forms, up to and including the products of the Rolling Mill. Within this range lie the products of Canada's great basic ferrous industries, as well as many others in the production of which Great Britain excels.

It is proposed to implement the recommendation of the Royal Commission on Maritime Claims with respect to Canadian coal used in the manufacture of iron or steel.

Realizing that Canada is now producing in huge quantities ingots, billets, blooms and slabs of steel, we have adjusted the duties thereon to facilitate the further development of the native Iron and Steel industry. At the same time reductions in the British Tariff rates are provided on special and heavy forms of Iron and Steel and on those primary products which Great Britain is equipped to produce. The internal economy of the industry is such that practically the entire incidence of the increases proposed in respect of the primary forms will be absorbed by subsequent processers of those forms, before or by the time they reach the stage of Bars and Rods, in the case of which, with one material exception, duties have not been raised, but in which, again, very considerable reductions have been made in the British Preferential tariff rates.

In the case of Structural Steel, an effort has been made to adjust the tariff language and rates to the development in Canadian mills, where larger and more varied shapes are now being rolled than ever before; definite provision has been made for certain weights and shapes now rolled in Canada. On heavy structural sections, considerable reduction has been effected in the British Preferential rate, thus affording British mills a greater chance for business in this Dominion.

Steel Plates are now being rolled in the Dominion and the revised schedule takes cognizance of this fact. Inquiry before the Tariff Advisory Board revealed that the rates formerly effective were out of line with the highly-processed character of the product. This inequity within the schedule has been rectified by increases in the Intermediate and General tariffs, while opportunity to British mills to participate in the Canadian market, especially in those widths and weights of plates in which they excel, is given by the Free listing of such Plates under the British Preferential tariff.

No changes are proposed as regards Black Sheets and but one increase, in the General Tariff, is suggested on Cold Rolled Steel.

Hot Rolled Strip is not made in Canada and adjustments in rates are proposed which should divert to Great Britain a large part of the Canadian trade in both light and heavy gauges of this material.

Most flat forms which are coated, dipped or similarly finished are grouped, in the revised schedule, with increased rates under the General tariff.

Reductions under all tariffs are proposed on Flat forms which are painted or coated with enamel. In this connection, it should be pointed out that provision is made for a duty on Sheets coated with tin (so-called "Tinplate") on the same basis as applies to all other coated forms.

The existing provision of duty-free sheets for galvanizing is widened to cover sheets for dipping in any metal, but is so worded as to expire on December thirty-first next, after which all "dippers" of sheets will pay, on their raw materials, rates of duties apportioned to those applying on their finished products.

The rates on corrugated sheets are reduced under all tariffs, while sheets to be used as bases for enamelling, and also blue polished sheets are given lowered rates under the British Preferential and Intermediate tariffs.

Saw steel is a commodity which Great Britain is eminently fitted to produce. Opportunity is opened to her mills through the rates now proposed on untempered and tempered steels for saw-making, in both of which the spread in favour of British products is materially widened.

Skelp for pipe making is an import of huge proportions. It is not being rolled in Canada and heretofore has enjoyed low rates under all tariffs. In order to encourage Great Britain to supply the Canadian demand, skelp is made Free under the British Preferential tariff. Parliament is also asked to sanction a provision for higher rates which *may* be imposed should Canadian mills enter the skelp-making field. Should such higher rates become effective, they are such as to maintain a material spread in favour of skelp from Great Britain and involve the same rate as now applies under the British Preference.

The schedule covering Pipes and Tubes has been reworded and reclassified, a prime object being simplification of the present items. Rates of duties are little altered; duties are imposed on Butted Tubing and increased on Cast Iron Pipe except under the British Preferential tariff.

The Wire, Spring and Chain schedules are reworded and in the revision of rates extensions of the British Preference are provided upon such commodities as:

- Wire Rope or Cable
- Galvanized Wire
- Covered Wire
- Wire Cloth
- Wire Netting
- Springs for Railway Vehicles.

Wire Fencing of certain gauges is made Free under the British Preferential tariff, as is, also, Silent and Roller Chain.

The Machinery section has been reworded and reclassified in a radical manner as regards arrangement, and with certain alterations in rates. Various generic groupings have been devised, notably: Agricultural, Mining, Lumbering, Textile, Printing, Office, and Household Machinery, with improved and more orderly sequence of items. In *Agricultural* machinery, *all items* are made Free under the British Preferential tariff and such tractors as do not now enter free are reduced under all tariffs. Complete parts of all tractors are reduced under all tariffs. Among the implements now made Free under the British Preferential Tariff, are the following:

- Milking Machines
- Pasteurizers and Dairy Equipment
- Plows
- Rollers
- Spraying and other horticultural equipment
- Hay Loaders and Tedders
- Grain and Hay Grinders and Crushers
- Potato diggers and planters
- Incubators and Brooders
- Hay Presses
- Scythes
- Sickles
- Rakes and Forks
- Separators
- Fanning Mills
- Peaviners
- Cornhuskers
- Windmills
- Electric-power Generators.

In *Mining* machinery the items have been revised in accordance with views expressed by both manufacturers and consumers at sittings of the Tariff Advisory Board.

The *Lumbering* machinery items have been redrafted to meet the unanimous views of producers and users, as expressed to the Tariff Advisory Board.

Material reductions under all tariffs have been made in machinery and equipment for use in *Printing*; and the entire list is made free under the British Preferential Tariff.

In *Office* machinery, reductions under the British Preferential Tariff are made on pieces of equipment which Great Britain can produce, such as:

Typewriters
Dictaphones
Teletypewriters
Calculating machines.

Under *Household* machinery, there are numerous reductions: Washing machines are made Free under the British Preferential Tariff and reduced under all tariffs; vacuum cleaners and polishers, domestic refrigerators, wringers and sewing machines are reduced under all tariffs.

Under *Miscellaneous Machinery*, Fire Engines and fire extinguishers, equipment for carbonizing lignite coal, for tanning and embossing leather, machinery for the manufacture of fish meal, stock and poultry food and fertilizers, and also equipment for use in the Ceramic industries are made free or granted material reductions.

Construction machinery and equipment, such as is used in the making and maintenance of highways is given a definite place in the schedules, is made Free under the British Preferential tariff and is reduced under all tariffs. Such machinery formerly dutiable and now Free under the British Preferential rate includes:

Concrete and Asphalt Road Machines
Cranes
Shovels
Back-fillers
Steam and Air-Driven Pile Hammers
Turntables.

All other Machinery—including Engines and Boilers and Electrical apparatus—imports of which amount to scores of millions of dollars, and a great part of which is *machinery of production, not procurable in Canada*, is divided into two classes—made in Canada and not made in Canada; the former group is slightly increased under the General Tariff; the latter is reduced under all tariffs and made free under the British Preference. Among the machinery and equipment in this latter class which formerly was dutiable and is now made Free under the British Preferential tariff, are included:

Air Compressing machinery
Cranes and Derricks
Icing and Refrigerating Machinery
Metal Working Machinery

Pulp and paper mill machinery
 Power Pumps and Parts
 Steam and other Shovels
 Steam Boilers
 Internal Combustion Engines
 Steam Engines
 Switches and Switchboards
 Spark Plugs and Magnetos
 Rheostats, Controllers and Meters
 Fuses and Fuse Plugs.

Among the *miscellaneous iron and steel commodities* which will now enter Free or under a materially widened British Preference are the following:

Nuts and Bolts
 Screws
 Tools of Precision
 Containers for Food Products
 Bathtubs and Lavatory Equipment
 Wheelbarrows, Trucks, etc.
 Drays and Sleighs
 Buggies and Cutters
 Children's Carriages and Sleds
 Hand Pumps
 Engines for Fishing Vessels
 Aircraft and Aircraft Engines
 Guns and Rifles
 Steel Wool
 Skates
 Needles
 Frames for Purses
 Safes
 Mathematical Instruments
 Card Clothing
 Two-colour Printing Plates.

Equipment for cooking or heating using coal or wood, gas, electricity or oil, is made free under the British Preferential tariff and there are reductions of the British rates on:

Electric Light Fixtures
 Electric Light Bulbs
 Lamp Shades
 Gas Meters
 Flashlights
 Headlights
 Enamelled Hollow-ware
 Hollow-ware, plain
 and Tinware for shipping milk or cream.

We have decided to make free of duty under all tariffs a large range of *hospital and sick room supplies* including:

- Syringes
- Catheters
- Parts of Anaesthetic Apparatus
- All hospital sterilizers
- Surgical Suction Apparatus
- Chloroform
- Ethyl Chloride
- Operating Room Lights.

The Iron and Steel schedule is now an entity, compact and orderly, consisting of a single group of three hundred and twenty-five items. I have not attempted to refer in detail to all individual commodities affected, but only those of greatest interest. Details of each item will, of course, be dealt with in Committee of Ways and Means.

Summarizing numerically I may say that under the Iron and Steel schedule General Tariff rates have been *reduced* on sixty-six items and *increased* on forty.

Under the Intermediate Tariff, the *reductions* number eighty-six, and the *increases* twenty-four.

Under the British Preferential Tariff, the rates have been *increased* in eight cases and *reduced*, or made *Free*, in one hundred and fifty-two. Prior to this Budget the number of items in the Iron and Steel schedule which were Free under the British Preferential Tariff was ninety-seven; this group of Free items has been increased in number to one hundred and seventy.

FRUITS AND VEGETABLES

In revising the Customs Tariff on Fruits and Vegetables the Government has given serious consideration to the representations of growers and consumers, as presented on several occasions before the Tariff Advisory Board. The irregular nature of the severe competition which Canadian producers frequently face from the earlier-maturing crops of other countries has been weighed in the light of various suggested remedies, most of which were found to have inherent defects, a fact long since recognized by the growers themselves. Seasonal tariffs, for instance, are not applicable to a country such as Canada, with its extremes of distance, latitude and climate.

After careful study of the situation from all angles, we have decided to apply to Fruits and Vegetables a combination of specific and ad valorem duties; this combination will, it is

believed, meet the urgent need of the growers during those periods when they suffer from acute instability of prices and, at the same time, guarantee to consumers, at all seasons of the year, supplies of these products at reasonable prices.

The *ad valorem* rate on Fresh Vegetables is retained at thirty per cent under the General Tariff and specific minimum duties will be effective, under the General Tariff, on all except Green Peas and Green Beans.

All Fresh Vegetables of domestic character are made Free of duty under the British Preferential Tariff. In taking this action, we have had in mind the growing ability of Bermuda and the West Indies to supply the Canadian market during the Canadian off-season, a possibility which is rendered more feasible than before, now that Canada has her own direct steamship connection with these islands, employing vessels which are specially built for efficient transportation of perishable commodities.

Small increases in the General Tariff, accompanied by material reductions in the British Preferential rates are made in Canned Vegetables, while extensions of the existing British Preference are provided in Dried and Desiccated Vegetables, Extracts, Sauces, Pastes and Soup.

An *ad valorem* rate of twenty-five per cent has been applied to all Fresh Fruits of domestic character, imported under the General Tariff with specific minimum rates effective under the general tariff.

All Fresh Fruits are to be granted Free entry under the British Preferential tariff; here again the Government has kept in mind the possibilities of greatly extended trade with Bermuda and the West India Islands and has taken another step in the direction commenced two years ago when Free entry was accorded bananas imported direct from the islands. So far as possible, Canada desires to purchase from these British islands to the south those Fresh Fruits which they are capable of supplying to this market.

The Free listing of Fresh Fruits and Vegetables has added thirty-two items to the total number in our schedules which are Free under the British Preferential tariff; the total number of such Free items in the entire Fruit and Vegetable schedule is now forty-nine as against ten immediately prior to this revision. We are confident that this further expression of Canada's desire to develop goodwill and improve trade with Bermuda and the British West Indies will be appreciated and will result in greater opportunity for Canadian exports to those Islands.

BEANS

Following an inquiry by the Tariff Advisory Board into rates upon Field Beans, it has been decided to increase the Intermediate and General tariffs on this product to one-and-a-half cents and two cents per pound respectively. Beans entering under the British Preferential tariff will, in the future, be free.

TEA

Tea now carries a duty of seven cents per pound under the British Preference. It is proposed to make this article of wide general consumption in Canada Free under the British Preference and also to lower the Intermediate rate of duty.

PORCELAIN AND CHINAWARE

Bearing in mind that Porcelain and Chinaware bulk very large in our import trade and that Great Britain has long held a high place in quality production of these articles which are necessities in every Canadian household, we have decided to accord Free entry under the British Preferential tariff to all Tableware of China, Porcelain, White Granite, or Iron Stone. The General tariff rate on these products has been slightly increased.

LIVE ANIMALS AND MEATS

Live Animals and Meats, other than fresh or canned Meats, are to be Free under the British Preferential tariff and reductions have been made under all tariffs on feeds such as Soya Bean Meal and Cotton Seed.

BUTTER

Following the hearing before the Tariff Advisory Board relating to Butter, the Government has carefully considered the representations of the producers and as a result proposes an increase in rates of duty on butter to four cents British Preference, six cents Intermediate and seven cents General Tariff.

MALT AND MALT PRODUCTS

Consideration has been given to the effects of imports of Malt and Malt Products in displacing the malting in Canada of Canadian Barley and it has been decided to increase the General Tariff rate on Malt and Malt Extracts, decreasing, at the same time, the rates under the British Preferential Tariff. The General rates on Barley have been increased proportionately.

INVERT SUGAR

Provision has been made for Invert Sugar at rates proportionate to those on Refined Sugar.

BELTING LEATHER

The General tariff rate on highly processed Belting Leather has been increased to the level of the rate now effective on Leather Belting.

MISCELLANEOUS

There have existed in our Tariff, for years, many items carrying rates of duty in the British Preferential column, but relating to commodities in which none of the various British countries has been an effective trader. Some of these items represent materials or articles in which, for the present at least, British countries may continue to be more or less ineffective factors; others are clearly of a nature in which a wider preference may be of real value in promoting inter-Empire trade.

We have decided, therefore, to make Free under the British Preferential tariff a further group of fifty items of this class.

COUNTERVAILING DUTIES

There are certain commodities which are or will become of double significance in Canada's trade with the world, both as imports and exports. On such commodities our policy has been, and is, to avoid extreme rates of duty, and we propose, regarding these products, to maintain in general the existing rates of duty.

It has been decided, however, to embody within the wording of a limited number of items of this class provision for a "countervailing duty" whereby Canada, while not generally raising its schedule rates, imposes upon such products from another country rates equivalent to those imposed by that country upon the identical Canadian product, where these are higher than the rates enumerated in the Canadian Tariff schedule. This means that other countries who both buy from and sell to us these commodities, have it in their own power, by reciprocal action on their part, to enable us to reduce duties to the level of the rates stated in our tariff.

Provision for countervailing duty is now made effective in the case of:

- Potatoes
- Soups and Soup Preparations
- Livestock
- Fresh Meats
- Cured and Pickled Meats
- Butter
- Eggs in the Shell
- Frozen Eggs
- Frozen Egg Albumen
- Wheat
- Wheat Flour
- Oats
- Oatmeal
- Rye
- Cut flowers
- Cast Iron Pipe

This tariff revision will involve consideration of a total of four hundred and ninety-five separate tariff items.

I purpose at the conclusion of this address to table the resolutions necessary to enable the Committee of Ways and Means to deal with each item.

For the convenience of Honourable Members arrangements are being made to print a full list of the tariff changes together with rates which were effective on each item until to-day.

The changes in rates are numerous and complex and I have not attempted to refer to all changes in detail. Summarizing numerically the present budget Tariff proposals involve under the General Tariff, increases in rates on 54 Items and Decreases on 46; under the Intermediate Tariff, increases in rates on 35 Items and decreases on 98; under the British Preferential Tariff, increases in rates on 11 Items and decreases on 270.

When this revision is completed the Canadian Customs Tariff will consist of 1188 Items of which 589 will be Free under the British Preference. The changes proposed have the effect of greatly increasing the British Preference in the Canadian market.

The importance of this enlargement of the Preference is indicated by the fact that Canada imported last year over Two Hundred Million Dollars worth of the commodities on which we are now increasing the British Preference.

The tariff changes now made are designed to serve what we believe to be the best interests of the Canadian people.

It must never be forgotten that a large and increasing proportion of our producers and manufacturers are vitally interested in the maintenance of friendly markets for their products outside of Canada. Indeed, our national well-being depends largely upon exporting freely those commodities which we produce greatly in excess of our own needs. This budget is frankly framed to enable us to buy more freely from those countries which buy from us most freely those commodities which are of vital importance to us, and in the confident belief that by this means we shall help to develop and stabilize export markets for our surplus products.

Canada will not engage in a tariff war with any country. The world shows at the present time too many examples of disaster following such a course. As a great exporting nation our course must be the contrary one of facilitating trade with those who facilitate trade with us. Those who raise prohibitive barriers against our products entering their markets must expect that we will extend favour to our own good customers rather than to them. I speak in no spirit of retaliation. I would much rather extend lower tariff favours to those who extend them to us than to impose prohibitive tariffs in return for like treatment.

Lower tariffs to those who buy most freely from us makes for trade extension and wider markets for our products, while prohibitory duties to meet prohibitory duties generally applied would constantly tend to restrict our export markets.

In studying these trade matters in detail it is evident that more British goods can be sold in this country, having regard to the tariff preference we have granted in the past and which is now being much further extended. Opportunity undoubtedly exists along many lines, but in modern commerce the buyer does not seek the seller.

The seller, even with the advantage of the British Preference, must seek the buyer in Canada through sales and service organizations comparable with those of his effective competitor.

These tariff favours to those who favour our products are not the result of any bargain with any other country but of an attitude in international relations which we believe to be mutually beneficial and are an expression of the spirit in which Canada will approach the Imperial Economic Conference in a few months time. In other words we do not intend to meet the other countries of the British Commonwealth of Nations in a spirit of petty bargaining but rather in the broad spirit of

willingness to become in ever increasing measure good customers to those who treat us in like manner. This is the spirit in which we desire to meet all nations, but we believe that within the British community of nations lies the greatest measure of opportunity for mutual development of trade because of our common heritage, kindred institutions and a common patriotism.

RESOLUTIONS

I beg to give notice that when the House resolves itself into committee I shall move the following resolutions:—

THE CUSTOMS TARIFF

1. Resolved, That it is expedient to amend the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, by repealing subsections (c), (d), (e), (i), (l) of section two thereof and by substituting the following therefor:

- (c) "hoop, band and strip" when applied to metals mean flat forms not more than fourteen inches in width and less than .1875 inch in thickness;
- (d) "in diameter" when applied to pipes and tubes means the actual inside diameter;
- (i) "plate" when applied to metals means a rectangle, circle or sketch as cut in a plate mill, more than fourteen inches in width and .1875 inch or more in thickness, with variations from such thickness not exceeding .015 inch;
- (l) "sheets" when applied to metals means a rectangle more than fourteen inches in width and less than a plate in thickness;

2. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by repealing subsection two of section six thereof and by substituting the following therefor:

(2) Excise duties or excise taxes shall be disregarded in estimating the market value of goods for the purposes of special duty when the goods are entitled to entry under the British Preferential Tariff, Intermediate Tariff or any more favourable tariff.

3. Resolved, That Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928 and chapter thirty-nine of the Acts of 1929, be further amended by striking thereout tariff items 5, 6, 7, 8, 10, 14, 15, 16, 18, 28a, 36, 37, 38, 47, 49, 50, 52, 53, 56, 57, 58, 59, 60, 60a, 61, 61a, 63a, 67, 69, 83, 83a, 84, 85, 86, 87, 87a, 87b, 88, 89, 90, 90a, 90b, 90c, 90d, 91, 92, 93, 94, 95, 96, 97, 97a, 98, 99, 99a, 100, 101a, 101aa, 101b, 102, 105, 105a, 106, 109, 141, 148, 149, 167, 168, 183, 200, 202, 207, 235, 235a, 236a, 237, 262, 283, 287, 289, 293, 296, 302, 306, 311, 313, 315a, 344, 344a, 345, 345a, 365, 366, 369, 373, 374, 375, 375a, 375b, 376, 377, 378, 378a, 379, 379a, 380, 381, 382, 383, 384, 384a, 384b, 384c, 385, 386, 387, 387a, 388, 389, 390, 391, 392, 393, 393a, 394, 395, 396, 397, 398a,

399, 400, 401, 402, 403, 403a, 404, 405, 406, 407, 408, 409, 410, 410a, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 433a, 434, 435, 436, 437, 438, 438e, 439, 440, 441, 441a, 442, 443, 444, 445, 445a, 445b, 446, 446a, 446b, 446c, 447, 447a, 447b, 448, 448b, 449, 450, 450a, 451, 451a, 452, 453, 453a, 453b, 453c, 453d, 453e, 453f, 453g, 453h, 453i, 453j, 454, 454a, 455, 456, 456a, 457, 458, 459, 460, 460a, 460b, 460c, 460d, 460e, 460f, 461, 461a, 462, 462a, 463, 464, 465, 466, 466a, 467a, 468, 468a, 469, 469a, 469b, 470, 471, 471a, 472, 473, 474, 475, 476, 476a, 477, 478, 478a, 479, 480, 481, 482, 483, 48c, 486a, 487, 491, 492, 494, 494a, 498, 502b, 502d, 506a, 513, 516, 517, 535a, 577, 584a, 588a, 589, 590, 590a, 590b, 590c, 591, 591a, 592, 593, 594, 595, 596, 605, 611b, 636, 637, 649, 650, 650a, 657, 657b, 658, 660, 661, 665, 665a, 670, 670a, 671, 671a, 672, 672a, 676, 677, 688, 689, 689a, 689b, 698a, 706, 716, 719, 722, 725, 726, 729, 730, 736, 737, 745, 746, 748, 749, 751, 767, 770, 775, 780, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of said items, and by inserting the following items, enumerations and rates of duty in Schedule A:—

Tariff Item	Description	British Preferential Tariff	Inter- mediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
					Present Tariff Item	British Preferential Tariff	Inter- mediate Tariff	General Tariff
5	Animals, living, n.o.p. Provided that, if any country imposes upon such animals produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed on such animals entering Canada from such country.	Free	22½ p.c.	25 p.c.	5	15 p.c.	22½ p.c.	25 p.c.
6	Live hogs, per pound Provided that, if any country imposes upon live hogs produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed on such hogs entering Canada from such country.	Free	1½ cts.	1½ cts.	6	1 cent	1½ cents	1½ cents
7	Meats, fresh, n.o.p. per pound Provided that, if any country imposes upon such goods produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed on such goods entering Canada from such country.	3 cts.	2½ cts.	3½ cts.	7	2 cents	2½ cents	3½ cents
8	Canned meats, poultry or game, extracts of meat and fluid beef, not medicated, per pound	15 p.c.	25 p.c. 1½ cts.	27½ p.c. 2 cts.	8 10	17½ p.c. 1½ cents	25 p.c. 1½ cents	27½ p.c. 2 cents
10	Meats, n.o.p. Provided that the weight of a barrel of pork for duty purposes shall not be less than two hundred pounds; provided, also, that if any country imposes upon such goods produced in, and imported from, Canada rates of higher duty than are enumerated in this item, equivalent rates of duty shall be imposed on such goods entering Canada from such country.	Free						
14	Tallow, per pound	Free	17½ p.c.	20 p.c.	14	15 p.c.	17½ p.c.	20 p.c.
15	Beeswax, per dozen	Free	7½ p.c.	10 p.c.	15	5 p.c.	7½ p.c.	10 p.c.
16	Eggs in the shell, per dozen Provided that, if any country imposes upon eggs in the shell, produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon such commodities entering Canada from such country.	2 cts.	2½ cts.	3 cts.	16	2 cents	2½ cents	3 cents
16a	Eggs, whole, egg yolks or egg albumen, frozen or otherwise prepared, n.o.p., whether or not sugar or other material be added	10 p.c.	25 p.c.	30 p.c.	207 711	5 p.c. 15 p.c.	7½ p.c. 17½ p.c.	10 p.c. 17½ p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
					Present Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff
16b	Provided that, if any country imposes upon frozen eggs, frozen egg yolks, or frozen egg albumen, produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon such commodities entering Canada from such country. Eggs, egg yolk or egg albumen, dried, evaporated, desiccated, or powdered, whether or not sugar or other material be added.....	10 p.c.	25 p.c.	30 p.c.	711 207 231 18	15 p.c. 5 p.c. 4 cents 3 cents	17½ p.c. 7½ p.c. 5 cents 4 cents	17½ p.c. 10 p.c. 6 cents 4 cents
18	Butter..... per pound Provided that, if any country imposes upon butter produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon butter entering Canada from such country.	4 cts.	6 cts.	7 cts.				
28a	Tea imported direct from the country of growth and production, and tea purchased in the United Kingdom, when in wrappings, car tons or other packages of not less than five pounds weight each..... Provided that tea shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such tea has been produced wholly in the British Dominions, colonies and possessions, and not otherwise.	Free	9 cts.	10 cts.	28a	7 cents	10 cents	10 cents
36	Compressed yeast, in bulk or mass of not less than fifty pounds..... per pound	Free	2½ cts.	3 cts.	36	2 cents	2½ cents	3 cents
37	Compressed yeast, in packages weighing less than fifty pounds, the weight of the package to be included in the weight for duty..... per pound	Free	5 cts.	6 cts.	37	4 cents	5 cents	6 cents
38	Yeast cakes, the weight of the package to be included in the weight for duty..... per pound	Free	5 cts.	6 cts.	38	4 cents	5 cents	6 cents
47	Beans, n.o.p., per pound.....	Free	1½ cent	2 cts.	47	15 cents	22½ cents	25 cents
49	Buckwheat, per bushel.....	Free	12½ cents	15 cents	49	10 cents	12½ cents	15 cents
50	Buckwheat meal or flour, per one hundred pounds.....	Free	45 cents	50 cents	50	35 cents	45 cents	50 cents
52	Barley, n.o.p., per bushel.....	Free	22½ cents	25 cents	52	10 cents	12½ cents	15 cents
53	Commeal, per barrel.....	Free	22½ cents	25 cents	53	20 cents	22½ cents	25 cents
56	Oats, per bushel..... Provided that, if any country imposes upon oats produced in, and imported from, Canada rates of	Free	9 cents	10 cents	56	7 cents	9 cents	10 cents

57	duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon oats entering Canada from such country. Provided that, if any country imposes upon oatmeal or rolled oats produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon oatmeal or rolled oats entering Canada from such country.	Free	50 cents.	60 cents	57	40 cents	50 cents	60 cents
58	Rye, per bushel..... Provided that, if any country imposes upon rye produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon rye entering Canada from such country.	Free	9 cents	10 cents	58	7 cents	9 cents	10 cents
59	Free flour, per barrel.....	Free	45 cents	50 cents	59	33 cents	45 cents	50 cents
60	Wheat, per bushel..... Provided that, if any country imposes upon wheat produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon wheat entering Canada from such country.	Free	12 cents	12 cents	60a	Free	Free	Free
61	Wheat flour and semolina, per barrel..... Provided that, if any country imposes upon wheat flour or semolina produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed upon wheat flour or semolina entering Canada from such country.	Free	50 cents	50 cents	61	Free	Free	Free
63a	Rice bran.....	Free	17½ p.c.	17½ p.c.	63a	12½ p.c.	17½ p.c.	17½ p.c.
67	Macaroni and vermicelli, per one hundred pounds....	Free	\$1.00	\$1.25	67	75 cents	\$1.00	\$1.25
68	Hay and straw, per ton.....	Free	\$1.75	\$2.00	68	\$1.65	\$1.75	\$2.00
79b	Flowers, natural, cut, whether in designs or bouquets, or not..... Provided that, if any country imposes on such goods produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed on such goods entering Canada from such country.	Free	Free	25 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
83	Potatoes, including sweet potatoes: (a) In their natural state..... (b) Dried, desiccated or dehydrated..... Provided that if any country imposes a duty on potatoes grown or processed in and imported from Canada, an equal duty shall be imposed on potatoes coming into Canada from such country.	Free Free	Free Free	Free Free	83 83a 84	Free 20 cents 15 p.c.	Free 35 cents 30 p.c.	Free 35 cts. per cwt. 30 p.c.
84	Onions, in their natural state, including onions grown with tops, shallots, and onion sets, the weight of the packages to be included in the weight for duty....	Free	30 p.c.	30 p.c.	87a	Free	30 p.c.	30 p.c.

88	Seedlings for replanting: (a) Cabbage..... (b) Cauliflower..... (c) Onion.....	Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
		Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
89	Vegetables, prepared, in air-tight cans or other airtight containers, the weight of the containers to be included in the weight for duty: (a) Beans, baked or otherwise prepared, per pound. (b) Corn and tomatoes, per pound. (c) Peas.....	Free	1½ cents	1½ cents	86	1 cent	1½ cents	1½ cents
		Free	1½ cents	2 cents	86	1 cent	1½ cents	1½ cents
90	Vegetables, prepared or preserved: (a) Dried, desiccated or dehydrated, including vegetable flour, soap..... (b) Pickled or preserved in salt, brine, oil or in any other liquid, n.o.p..... (c) Vegetable extracts or juices, liquid mustards, soy and vegetable sauces of all kinds..... (d) Pastes, hash and all similar products, composed wholly of vegetables or of vegetables and meat or fish or both, n.o.p.....	Free	1 cent	30 p.c.	86	1 cent	1½ cents	1½ cents
		Free	27½ p.c.	30 p.c.	86	1 cent	1½ cents	1½ cents
91	Soups, soup rolls, tablets, cubes or other soup preparations, n.o.p.....	Free	27½ p.c.	30 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
		Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
92	Vegetables, prepared or preserved: (a) Dried, desiccated or dehydrated, including vegetable flour, soap..... (b) Pickled or preserved in salt, brine, oil or in any other liquid, n.o.p..... (c) Vegetable extracts or juices, liquid mustards, soy and vegetable sauces of all kinds..... (d) Pastes, hash and all similar products, composed wholly of vegetables or of vegetables and meat or fish or both, n.o.p.....	Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
		Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
93	Soups, soup rolls, tablets, cubes or other soup preparations, n.o.p.....	Free	27½ p.c.	30 p.c.	86	1 cent	1½ cents	1½ cents
		Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
94	Vegetables, prepared or preserved: (a) Dried, desiccated or dehydrated, including vegetable flour, soap..... (b) Pickled or preserved in salt, brine, oil or in any other liquid, n.o.p..... (c) Vegetable extracts or juices, liquid mustards, soy and vegetable sauces of all kinds..... (d) Pastes, hash and all similar products, composed wholly of vegetables or of vegetables and meat or fish or both, n.o.p.....	Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
		Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
95	Soups, soup rolls, tablets, cubes or other soup preparations, n.o.p.....	Free	27½ p.c.	30 p.c.	86	1 cent	1½ cents	1½ cents
		Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
96	Vegetables, prepared or preserved: (a) Dried, desiccated or dehydrated, including vegetable flour, soap..... (b) Pickled or preserved in salt, brine, oil or in any other liquid, n.o.p..... (c) Vegetable extracts or juices, liquid mustards, soy and vegetable sauces of all kinds..... (d) Pastes, hash and all similar products, composed wholly of vegetables or of vegetables and meat or fish or both, n.o.p.....	Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
		Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
97	Soups, soup rolls, tablets, cubes or other soup preparations, n.o.p.....	Free	27½ p.c.	30 p.c.	86	1 cent	1½ cents	1½ cents
		Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
98	Vegetables, prepared or preserved: (a) Dried, desiccated or dehydrated, including vegetable flour, soap..... (b) Pickled or preserved in salt, brine, oil or in any other liquid, n.o.p..... (c) Vegetable extracts or juices, liquid mustards, soy and vegetable sauces of all kinds..... (d) Pastes, hash and all similar products, composed wholly of vegetables or of vegetables and meat or fish or both, n.o.p.....	Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
		Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
99	Soups, soup rolls, tablets, cubes or other soup preparations, n.o.p.....	Free	27½ p.c.	30 p.c.	86	1 cent	1½ cents	1½ cents
		Free	27½ p.c.	30 p.c.	87	15 p.c.	27½ p.c.	30 p.c.
100	Vegetables, prepared or preserved: (a) Dried, desiccated or dehydrated, including vegetable flour, soap..... (b) Pickled or preserved in salt, brine, oil or in any other liquid, n.o.p..... (c) Vegetable extracts or juices, liquid mustards, soy and vegetable sauces of all kinds..... (d) Pastes, hash and all similar products, composed wholly of vegetables or of vegetables and meat or fish or both, n.o.p.....	Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
		Free	27½ p.c.	30 p.c.	88	25 p.c.	32½ p.c.	35 p.c.

Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
				Present Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff
92	Provided that, if any country imposes upon such goods produced in and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed on such goods entering Canada from such country.						
	Fruits, fresh, in their natural state, the weight of the packages to be included in the weight for duty:						
	(a) Apricots.....	Free	20 p.c.	97	35 cents	45 cents	50 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than one cent per pound.						
	(b) Cherries.....	Free	20 p.c.	95	1½ cents	1½ cents	2 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than two cents per pound.						
	(c) Cranberries.....	Free	20 p.c.	96	17½ p.c.	22½ p.c.	25 p.c.
	Provided that when imported under the General Tariff rate, the duty shall be not less than two and one-half cents per pound.						
	(d) Peaches.....	Free	20 p.c.	102	67 cents	90 cents	\$1.00
	Provided that when imported under the General Tariff rate, the duty shall be not less than one and one-quarter cents per pound.						
	(e) Pears.....	Free	20 p.c.	97	35 cents	45 cents	50 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than three-quarters of a cent per pound.						
	(f) Plums or prunes.....	Free	20 p.c.	97a	20 cents	20 cents	30 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than three-quarters of a cent per pound.						
	(g) Strawberries, raspberries and loganberries.....	Free	20 p.c.	95	1½ cents	1½ cents	2 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than three cents per pound.						
	(h) Berries, edible, n.o.p.....	Free	20 p.c.	95	1½ cents	1½ cents	2 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than two cents per pound.			80a	Free	Free	Free
	(i) Quinces and nectarines.....	Free	20 p.c.	97	35 cents	45 cents	50 cents
	Provided that when imported under the General Tariff rate, the duty shall be not less than one cent per pound.						

	Free	20 p.c.	25 p.c.	92	60 cents	90 cents	90 cents
93 Apples, fresh, in their natural state, the weight of the packages to be included in the weight for duty. Provided that when imported under the General Tariff rate, the duty shall be not less than three-fifths of a cent per pound.	Free						
94 Grapes, fresh, in their natural state, the weight of the packages to be included in the weight for duty, per pound.	Free	1½ cents.	2 cents.	100	1½ cents	1½ cents	2 cents
95 Cantaloupes and muskmelons, the weight of the packages to be included in the weight for duty. Provided that when imported under the General Tariff rate, the duty shall be not less than one and one-half cents per pound.	Free	20 p.c.	25 p.c.	98	2 cents	2½ cents	3 cents
95a Melons, n.o.p., each.	Free	2½ cents.	3 cents.	98	2 cents	2½ cents	3 cents
96 Fruits, fresh, in their natural state, n.o.p.	Free	20 p.c.	25 p.c.	96	17½ p.c.	22½ p.c.	25 p.c.
97 Paulownias, pineapples, pomegranates, guavas and tangerines.	Free	Free	Free	90	Free	Free	Free
98 Bananas, when imported from the place of growth by ship, direct to a Canadian port, per stem or bunch.	Free	50 cents.	50 cents.	90c	Free	50 cents	50 cents
98a Bananas, dried or evaporated, per pound.	Free	½ cent	½ cent	98a	Free	½ cent	½ cent
98b Dates and figs, dried, plums and prunes, dried, unpitted, per pound.	Free	½ cent	½ cent	94	40 cents	55 cents	55 cts. per cw
99 Fruits, dried, desiccated, evaporated or dehydrated, n.o.p.	Free	22½ p.c.	25 p.c.	99	½ cent	½ cent	½ cent
100 Grape fruit, when imported from the place of growth by ship, direct to a Canadian port, per pound.	Free	½ cent	1 cent	100a	Free	50 cents	\$1.00 per cwt.
100a Grape fruit, n.o.p., per pound.	Free	1 cent	1 cent	101a	50 cents	\$1.00	\$1.00 per cwt.
102 Lemons.	Free	15 p.c.	15 p.c.	101b	Free	15 p.c.	15 p.c.
103 Fruit pulp, with sugar or not, n.o.p., and fruits, frozen, per pound.	1½ cents	2½ cents	3 cents	96	17½ p.c.	22½ p.c.	25 p.c.
103a Lemon and orange rinds and citron in brine.	Free	Free	Free	105	1½ cents	2½ cents	2½ cents
103b Olives and cherries in brine, not bottled.	10 p.c.	17½ p.c.	30 p.c.	106	Free	Free	Free
105c Fruits and nuts, pickled or preserved in salt, brine, oil or any other manner, n.o.p.	20 p.c.	32½ p.c.	35 p.c.	88	25 p.c.	32½ p.c.	35 p.c.
105d Jellies, jams, marmalades, preserves, fruit pastes, fruit butters and condensed mince meats, per pound.	2½ cents	3½ cents	3½ cents	106	2½ cents	3½ cents	3½ cents
105e Fruits and peels, crystallized, glace, candied or drained; cherries and other fruits of creme de menthe, maraschino or other flavour.	22½ p.c.	35 p.c.	35 p.c.	141 and 105 106	½ cent 22½ p.c. 1½ cents 2½ cents	½ cent 35 p.c. 2½ cents 3½ cents	½ cent 35 p.c. 2½ cents 3½ cents
106 Fruits, prepared, in air-tight cans or other air-tight containers, the weight of the containers to be included in the weight for duty: (a) Apricots, peaches and pears, per pound. (b) Pineapples, per pound. (c) N.o.p., per pound.	1½ cents ½ cent 1½ cents 1½ cents	2½ cents 2½ cents 2½ cents	2½ cents 2½ cents 2½ cents	105 105a 105b	1½ cents ½ cent 1½ cents 1½ cents	2½ cents 2½ cents 2½ cents	2½ cents 2½ cents 2½ cents

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
					Present Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff
109	Nuts of all kinds, n.o.p., including shelled peanuts, n.o.p., per pound	1 cent	2 cents	2 cents	109	1 cent	2 cents	2 cents
109a	Peanuts, green, in the shell or not further processed than shelled	Free	1 cent	1 cent	109	1 cent	2 cents	2 cents
135a	Invert sugar and all solutions of sugar or invert sugar and water which cannot be completely tested by the polariscope, not including syrups in receptacles not greater than 60 pounds in gross weight: When exceeding 56 per centum but not exceeding 65 per centum total sugars, per one hundred pounds. When exceeding 65 per centum but not exceeding 70 per centum total sugars, per one hundred pounds. When exceeding 70 per centum total sugars, per one hundred pounds.	68 cents 74 cents 83 cents	\$1-23 \$1-33 \$1-50	\$1-23 \$1-33 \$1-50	140 134 134 140 134	35 cents 35 cents 35 cents	45 cents 45 cents 45 cents	50 cents 50 cents 50 cents
141	Sugar candy and confectionery, n.o.p., including sweetened gums, candied pop-corn, candied nuts, flavouring powders, custard powders, jelly powders, sweetmeats, sweetened breads, cakes, pies, puddings and all other confections containing sugar, the weight of the wrappings and cartons to be included in the weight for duty, per pound	$\frac{1}{2}$ cent 22 $\frac{1}{2}$ p.c. Free Free	$\frac{1}{2}$ cent 35 p.c. 5 cents 10 cents	$\frac{1}{2}$ cent 35 p.c. 5 cents 10 cents	141 and 148 149	$\frac{1}{2}$ cent 22 $\frac{1}{2}$ p.c. 5 cents 10 cents	$\frac{1}{2}$ cent 35 p.c. 5 cents 10 cents	$\frac{1}{2}$ cent 35 p.c. 5 cents 10 cents
148	Cider, not clarified or refined, per gallon	$\frac{1}{2}$ cent	$\frac{1}{2}$ cent	$\frac{1}{2}$ cent	167	45 cents	45 cents	45 cents
149	Cider, clarified or refined, per gallon	Free	3 cents	3 cents	168	2 cents 35 p.c.	2 cents 35 p.c.	2 cents 35 p.c.
167	Malt, whole, crushed or ground, and malt flour, n.o.p., upon entry for warehouse subject to excise regulations, per pound	3 cents 25 p.c.	3 cents 30 p.c.	3 cents 35 p.c.	and			
168	Malt flour containing less than 50 per centum in weight of malt; malt syrup or malt syrup powder; extracts of malt, fluid or not; grain molasses—all articles in this item upon valuation without British or foreign excise duties, under regulations prescribed by the Minister, per pound	Free	22 $\frac{1}{2}$ p.c. 22 $\frac{1}{2}$ p.c. 19 $\frac{1}{2}$ p.c. 7 $\frac{1}{2}$ p.c.	25 p.c.	183	15 p.c. 15 p.c. 10 p.c. 5 p.c.	22 $\frac{1}{2}$ p.c. 22 $\frac{1}{2}$ p.c. 12 $\frac{1}{2}$ p.c. 7 $\frac{1}{2}$ p.c.	25 p.c. 25 p.c. 15 p.c. 10 p.c.
183	Newspapers, or supplemental editions or parts thereof, of, partly printed and intended to be completed and published in Canada	Free	22 $\frac{1}{2}$ p.c.	25 p.c.	183	15 p.c.	22 $\frac{1}{2}$ p.c.	25 p.c.
200	Pulp of wood, of straw or of any other vegetable fibre	Free	22 $\frac{1}{2}$ p.c.	25 p.c.	200	15 p.c.	22 $\frac{1}{2}$ p.c.	25 p.c.
202	Boot and shoe patterns manufactured of paper	Free	19 $\frac{1}{2}$ p.c.	15 p.c.	202	10 p.c.	12 $\frac{1}{2}$ p.c.	15 p.c.
207	Blood albumen	5 p.c.	7 $\frac{1}{2}$ p.c.	10 p.c.	207	5 p.c.	7 $\frac{1}{2}$ p.c.	10 p.c.

208g	Calcium molybdate when imported by manufacturers of steel for use exclusively in the manufacture of steel for these uses	Free	5 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
235	Liquorice paste not sweetened	Free	5 p.c.	232	17½ p.c.	35 p.c.	37½ p.c.
236	Liquorice in rolls and sticks, not sweetened	Free	15 p.c.	233a	10 p.c.	15 p.c.	17½ p.c.
237	Paper refills for sputum cups; paper pocket sputum	Free	20 p.c.	235a	15 p.c.	20 p.c.	22½ p.c.
	Celluloid moulded for handles of knives and forks, and handles of cutlery, penknives, and other articles of cutlery, and with tin foil or not, but not finished or further manufactured, and celluloid blanks for lamp shades and for combs, and manufactures of celluloid, viz: hair pins, braid pins, buttons, button blanks, shoe buttons, hairpins, needles, crochet sets, golf tees; lamp shades, stem-articles on patent	Free	17½ p.c.	236a	12½ p.c.	17½ p.c.	20 p.c.
238a	Compounds of tetraethyl lead, in which tetraethyl lead is the preponderant constituent by weight	Free	7½ p.c.	237	5 p.c.	7½ p.c.	10 p.c.
262	Mineral oil, natural or synthetic	15 p.c.	32½ p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
263	Camellier, natural or synthetic, whether refined or not	Free	20 p.c.	624	20 p.c.	27½ p.c.	30 p.c.
264	Cotton seed and ripe cotton seed oil, when imported by trading firms of cotton seed meal and refined cotton seed oil for use exclusively in the manufacture of such commodities, in their own factories	Free	5 p.c.	419	20 p.c.	27½ p.c.	30 p.c.
264b	Drain tiles, not glazed	Free	5 p.c.	435	15 p.c.	20 p.c.	20 p.c.
276d	Tableware of china, porcelain, white granite or iron-steel	Free	10 p.c.	262	15 p.c.	17½ p.c.	17½ p.c.
283	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
287	Tableware of china, porcelain, white granite or iron-steel	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
289	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
293	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
296	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
296a	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
296b	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
296c	Drain tiles, not glazed	Free	10 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)		
					Present Tariff Item	British Preferential Tariff	Inter-mediate Tariff
302	Lithographic stones, not engraved.....	Free	17½ p.c.	20 p.c.	302	12½ p.c.	17½ p.c.
306	Marble, sawn or sand rubbed, not polished; granite, sawn; paving blocks of stone; flagstone and building stone, other than marble or granite, sawn on not more than two sides.....	Free	20 p.c.	30 p.c.	306	15 p.c.	20 p.c.
311	Slate pencils and school writing slates.....	Free	22½ p.c.	25 p.c.	311	15 p.c.	22½ p.c.
313	Plumbago, not ground or otherwise manufactured....	Free	7½ p.c.	10 p.c.	313	5 p.c.	7½ p.c.
315a	Carbon electrodes exceeding thirty-five inches in circumference or outside measurement.....	Free	20 p.c.	20 p.c.	315a	12½ p.c.	20 p.c.
345	Zinc dust and sheets; zinc plates for marine boilers; sal ammoniac skimmings and seamless drawn tubing of zinc.....	Free	Free	Free	345	Free	Free
345a	Zinc spelter and zinc in blocks, pigs, bars or rods; zinc plates, n.o.p., per pound.....	¾ cent 15 p.c.	1 cent 17½ p.c.	1 cent 20 p.c.	345a 406	¾ cent 15 p.c.	1 cent 17½ p.c.
350	Wire of all metals and kinds, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.	407	20 p.c.	27½ p.c.
351	Wire, single or several, covered with any material, including cable so covered, n.o.p.....	17½ p.c.	22½ p.c.	25 p.c.	408	17½ p.c.	22½ p.c.
351a	Wire, twisted, braided or stranded, including wire rope and wire cable, coated or not, n.o.p.....	17½ p.c.	22½ p.c.	25 p.c.	418	17½ p.c.	22½ p.c.
351b	Wire cloth, or woven wire of brass or copper.....	22½ p.c.	30 p.c.	35 p.c.	413	22½ p.c.	30 p.c.
352b	Screws of brass, copper or other metal, n.o.p.: (a) Wood screws..... (b) Machine and other screws, n.o.p.....	22½ p.c.	30 p.c.	35 p.c.	413	22½ p.c.	30 p.c.
354a	Nickel and aluminum kitchen or household hollow-ware, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.	428	20 p.c.	27½ p.c.
365	Composition metal and plated metal, in bars, ingots or cores, for the manufacture of watch cases, jewelry, filled gold and silver seamless wire and for dental purposes.....	Free	7½ p.c.	10 p.c.	365	5 p.c.	7½ p.c.
366	Watch actions and movements, and parts thereof, finished or unfinished, including winding bars and sleeves.....	Free	12½ p.c.	12½ p.c.	366	10 p.c.	12½ p.c.
373	Scrap of iron or steel: (a) Wrought, being waste or refuse, to be remelted in furnaces or cupolas..... (b) Cast, being waste or refuse, to be remelted in furnaces or cupolas..... (c) Railway rails, which have been in actual use, to be remelted in furnaces or to be remanufactured in rolling mills into other products than iron or steel rails..... Provided that articles of iron or steel, damaged	Free	Free	Free	373 374 775	Free 25 cents Free	Free 45 cents Free
		Free	Free	Free	375	\$1.50	\$2.50
		Free	Free	Free	775	Free	Free

374	Pig iron, n.o.p., per ton.....	\$1.50	\$2.50	\$2.50	375	\$1.50	\$2.50	\$2.50	\$2.50
375	Free	Free	Free	Free	375b	Free	Free	Free	Free
	(a) Spiegeleisen, being an alloy of iron and manganese, containing not less than 15 per centum and not more than 30 per centum, by weight, of manganese.....	Free	Free	Free	375b	Free	Free	Free	Free
	(b) Ferro-manganese and silico-manganese, being alloys of iron and manganese containing more than 30 per centum, by weight, of manganese.....	Free	Free	Free	375	Free	\$2.50	\$2.50	\$2.50
	(c) Ferro-silicon, being an alloy of iron and silicon, containing not less than 10 per centum and not more than 15 per centum, by weight, of silicon.....	Free	7½ p.c.	7½ p.c.	375	Free	\$2.50	\$2.50	\$2.50
	(d) Ferro-silicon, being an alloy of iron and silicon, containing more than 15 per centum, by weight, of silicon.....	Free	10 p.c.	10 p.c.	375a	Free	\$3.00	\$4.50	\$4.50
	(e) Ferro-phosphorus, being an alloy of iron and phosphorus, containing more than 15 per centum, by weight, of phosphorus.....	Free	5 p.c.	5 p.c.	375	Free	\$1.50	\$2.50	\$2.50
	(f) Ferro-alloys, made, for remelting, n.o.p.....	Free	5 p.c.	5 p.c.	375	Free	\$1.50	\$2.50	\$2.50
376	Spiegel iron.....	Free	Free	Free	376	Free	\$1.50	\$2.25	\$2.50
377	Ingots, of iron or steel, n.o.p., per ton.....	\$1.50	\$3.00	\$3.00	376	Free	\$1.50	\$2.25	\$2.50
377a	Blooms, cogged ingots, slabs, billets, n.o.p., sheet bars, of iron or steel, by whatever process made, n.o.p., per ton.....	\$2.50	\$4.00	\$4.50	376	Free	\$1.50	\$2.25	\$2.50
377b	Ingots, cogged ingots, blooms, slabs, billets, n.o.p., of iron or steel, valued at not less than 3 cents per pound, when imported by manufacturers of steel for use exclusively in the manufacture of steel, in their own factories, under regulations prescribed by the Minister.....	Free	Free	5 p.c.	376	Free	\$1.50	\$2.25	\$2.50
377c	Ingots, cogged ingots, blooms, slabs, billets, n.o.p., of iron or steel, of a class or kind not made in Canada, when imported by manufacturers of forgings for use exclusively in the manufacture of forgings, in their own factories, under regulations prescribed by the Minister, per ton.....	Free	\$2.25	\$2.50	376	Free	\$1.50	\$2.25	\$2.50
378	Bars and rods, of iron or steel, weighing less than 60 pounds per lineal yard: (a) Not further processed than hot rolled, n.o.p., per ton.....	\$4.25	\$6.00	\$7.00	378	\$4.25	\$6.00	\$7.00	\$7.00
	(b) Not further processed than hammered or pressed, n.o.p.....	15 p.c.	25 p.c.	30 p.c.	393	20 p.c.	27½ p.c.	30 p.c.	30 p.c.
	(c) Cold rolled, drawn, reeled, turned or ground, n.o.p.....	15 p.c.	25 p.c.	30 p.c.	393	20 p.c.	27½ p.c.	30 p.c.	30 p.c.
	(d) Hot rolled, valued at not less than 4 cents per pound, n.o.p.....	5 p.c.	12½ p.c.	15 p.c.	393a	17½ p.c.	22½ p.c.	25 p.c.	25 p.c.
379	Bars or rods, of iron or steel, including billets weighing less than 60 pounds per lineal yard, hot rolled, as hereunder defined, under regulations prescribed by the Minister:				386	5 p.c.	12½ p.c.	12½ p.c.	12½ p.c.

Tariff Item		PRESENT RATES (E. & O. E.)				General Tariff	Present Item	British Preferential Tariff	Inter- mediate Tariff	General Tariff
		British Preferential Tariff	Inter- mediate Tariff	General Tariff	Present Item					
	(a) Rods, when imported by manufacturers of horseshoe nails for use exclusively in the manufacture of horseshoe nails, in their own factories.	Free	Free	Free	387		Free	Free	Free	
	(b) Rods, in the coil, when imported by manufacturers of chain for use exclusively in the manufacture of chain, in their own factories, per ton.	Free	\$3.50	\$3.50	729		Free	Free	Free	
	(c) Bars, when imported by manufacturers of shovels for use exclusively in the manufacture of shovels, in their own factories, per ton.	Free	\$2.75	\$3.00	471a		\$2.25	\$3.50	\$3.50	
	(d) Rods, in the coil, not over .375 inch in diameter, when imported by manufacturers of wire, for use exclusively in the manufacture of wire, in their own factories, per ton.	\$2.25	\$4.50	\$5.00	387a		\$2.00	\$2.75	\$3.00	
380	Plates, of iron or steel, hot or cold rolled: (a) Not more than 40 inches in width, n.o.p., per ton.	\$2.00	\$4.00	\$6.00	471		\$2.25	\$3.50	\$3.50	
	(b) More than 40 inches in width, n.o.p., per ton	Free	\$3.00	\$5.00	379a		\$2.00	\$2.75	\$3.00	
	(c) Flanged, dished or curved, n.o.p., per ton	Free	\$3.00	\$5.00	381		\$2.00	\$2.75	\$3.00	
381	Sheets, of iron or steel, hot or cold rolled: (a) .080 inch or less in thickness, n.o.p., per ton	7½ p.c.	12½ p.c.	12½ p.c.	382		\$4.25	\$6.00	\$7.00	
	(b) More than .080 inch in thickness, n.o.p., per ton	10 p.c.	25 p.c.	30 p.c.	454		20 p.c.	27½ p.c.	30 p.c.	
382	Hoop, band or strip, of iron or steel: (a) Hot rolled, .080 inch or less in thickness, n.o.p., per ton	7½ p.c.	12½ p.c.	12½ p.c.	384		7½ p.c.	12½ p.c.	12½ p.c.	
	(b) Hot rolled, more than .080 inch in thickness, n.o.p., per ton	\$4.25	\$6.00	\$7.00	378		\$4.25	\$6.00	\$7.00	
	(c) Cold rolled or cold drawn, .080 inch or less in thickness, n.o.p., per ton	7½ p.c.	12½ p.c.	15 p.c.	384		7½ p.c.	12½ p.c.	12½ p.c.	
383	Sheets, plates, hoop, band or strip, of iron or steel: (a) Coated with tin, of a class or kind not made in Canada, n.o.p.	Free.	5 p.c.	5 p.c.	381c		Free	5 p.c.	5 p.c.	
	(b) Coated with tin, n.o.p.	7½ p.c.	12½ p.c.	15 p.c.	384		7½ p.c.	12½ p.c.	12½ p.c.	
	(c) Coated with zinc, n.o.p.	7½ p.c.	12½ p.c.	15 p.c.	378a		\$4.25	\$7.00	\$7.00	

(d) Coated with metal or metals, n.o.p.	7½ p.c.	12½ p.c.	15 p.c.	384	7½ p.c.	12½ p.c.	12½ p.c.	12½ p.c.
(e) Coated with paint, tar, asphaltum or otherwise coated, n.o.p.	7½ p.c.	12½ p.c.	15 p.c.	454	20 p.c.	20 p.c.	20 p.c.	30 p.c.
(f) Coated with vitreous enamel, a.s.p.	1½ p.c.	20 p.c.	25 p.c.	454	20 p.c.	20 p.c.	20 p.c.	30 p.c.
(g) Corrugated, coated or not.	15 p.c.	20 p.c.	25 p.c.					
Skelep of iron or steel, hot or cold rolled, when imported by manufacturers of pipes and tubes for use exclusively in the manufacture of pipes and tubes, in their own factories, under regulations prescribed by the Minister:								
(a) Not more than 14 inches in width.	Free	5 p.c.	5 p.c.	384	5 p.c.	5 p.c.	5 p.c.	5 p.c.
(b) More than 14 inches in width								
The Governor in Council may, by Order in Council direct that there be substituted for tariff item 384 in Schedule A of the Customs Tariff, 1907, and the several rates of duties of Customs set opposite said item in Schedule A, the following:								
Skelep of iron or steel, hot or cold rolled, when imported by manufacturers of pipes and tubes for use exclusively in the manufacture of pipes and tubes in their own factories, under regulations prescribed by the Minister.								
(a) Not more than 14 inches in width.	5 p.c.	10 p.c.	12½ p.c.					
(b) More than 14 inches in width.	5 p.c.	10 p.c.	12½ p.c.					
From and after the publication of such Order in Council in the Canada Gazette, tariff item 384 as it appears in said Schedule at the time of the passing of this Act shall be repealed and the provisions of the said tariff item as it appears in the last preceding subsection of this section shall be substituted therefor.								
The Governor in Council shall not direct that such provisions be substituted as aforesaid unless and until the Governor in Council is satisfied that skelep of iron or steel, hot or cold rolled, is manufactured in substantial quantities in Canada from iron or steel made in Canada.								
Sheets, plates, hoop, band or strip, of iron or steel, hot rolled, valued at not less than five cents per pound.	5 p.c.	12½ p.c.	15 p.c.	386	5 p.c.	5 p.c.	12½ p.c.	12½ p.c.
Sheets, plates, hoop, band or strip, of iron or steel, as hereunder defined, under regulations prescribed by the Minister:								
(a) Plates, when imported by manufacturers for use exclusively in the manufacture or repair of the pressure parts of boilers, pulp digesters, steam accumulators and vessels for the refining of oil, in their own factories.	Free	Free	Free	380	Free	Free	Free	Free

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
					Present Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff
386	Sheet, etc.— <i>Continued</i> (b) Sheets, plates, hoop, band or strip, cold rolled, when imported by manufacturers for use exclusively in the manufacture of butts, hinges, typewriters or sewing machines, in their own factories..... (c) Sheets, plates, hoop, band or strip, hot rolled, being mould boards, shares, plough plates, land sides or disc circles, when such rectangles, circles or sketches are cut to shape but not moulded, punched, polished or otherwise manufactured when imported by manufacturers of agricultural implements for use exclusively in the manufacture of agricultural implements, in their own factories..... (d) Sheets, hoop, band or strip, coated, polished or not, when imported by manufacturers of saddlery hardware for use exclusively in the manufacture of saddlery hardware, in their own factories..... (e) Sheets, hoop, band or strip, hot or cold rolled, when imported by manufacturers of shovels for use exclusively in the manufacture of shovels, in their own factories, per ton..... (f) Hoop, band or strip, drawn, coated or not, when imported by manufacturers of mats for use exclusively in the manufacture of mats, in their own factories..... (g) Sheets, plates, hoop, band or strip, not tempered or ground nor further manufactured than cut to shape, without indented edges, when imported by manufacturers of saws or straw cutters for use exclusively in the manufacture of saws or straw cutters, in their own factories..... (h) Sheets, plates, hoop, band or strip, hardened, tempered or ground, not further manufactured than cut to shape, without indented edges, when imported by manufacturers of saws for use exclusively in the manufacture of saws, in their own factories..... (i) Sheets, hoop, band or strip, when imported by manufacturers for use exclusively in the manufacture of buckle clasps, bedfasts, furniture cas-	Free	7½ p.c.	10 p.c.	730	5 p.c.	7½ p.c.	10 p.c.
		Free	Free	Free	444	Free	Free	Free
		Free	Free	Free	478a	Free	Free	Free
		Free	\$2.75	\$3.00	387a	\$2.00	\$2.75	\$3.00
		Free	5 p.c.	5 p.c.	767	Free	5 p.c.	5 p.c.
		Free	5 p.c.	7½ p.c.	473	Free	Free	Free
		5 p.c.	10 p.c.	12½ p.c.	780 454	7½ p.c. 20 p.c.	12½ p.c. 27½ p.c.	12½ p.c. 30 p.c.

fers, corset steels, clock springs, shoe shanks, phonograph motor springs or ball bearings, in their own factories	Free	Free	477	Free	Free	Free
(j) Hoop, band or strip, being tagging metal, coated or not, when imported by manufacturers of shoe and corset laces for use exclusively in the manufacture of shoe and corset laces, in their own factories	Free	Free	476 476a 722	Free	Free	Free Free 5 p.c.
(k) Sheets, hot or cold rolled, when imported by manufacturers of apparatus designed for cooking or for heating buildings, for use exclusively in the manufacture of vitreous enamelled sheets for apparatus designed for cooking or for heating buildings, in their own factories	Free	Free	487	Free	Free	Free
(l) Sheets, cold rolled, blue polished, when imported by manufacturers of apparatus designed for cooking or for heating buildings, for use exclusively in the manufacture of apparatus designed for cooking or for heating buildings, in their own factories	Free	10 p.c.	384	7½ p.c.	12½ p.c.	12½ p.c.
(m) Sheets, hoop, band or strip, hot rolled, when imported by manufacturers for use exclusively in the manufacture of sheets, hoop, band or strip, coated with tin, zinc, or other metal or metals, in their own factories	Free	10 p.c.	384	7½ p.c.	12½ p.c.	12½ p.c.
(n) Hoop, band or strip, hot rolled, .080 inch or less in thickness, when imported by manufacturers for use exclusively in the manufacture of cold rolled iron or steel, in their own factories	Free on and after January 1, 1931	Free	384a	Free	Free	Free
(o) Hoop, band or strip, hot rolled, more than .080 inch in thickness, when imported by manufacturers for use exclusively in the manufacture of cold rolled iron or steel, in their own factories	5 p.c.	7½ p.c.				
387 Railway rails, of iron or steel, of any weight or for any purpose, punched, drilled or not, per ton	Free	5 p.c.	384b	Free	Free	Free
387a Railway ties, fish-plates, splice bars, rail joints, tie-plates, of iron or steel, per ton	\$4.50	12½ p.c.	378	Free	Free	Free
387b Railway intersection layouts, intersections, switches, crossings, frogs, guard rails, of iron or steel	\$5.00	\$6.00	388	\$4.25	\$6.00	\$7.00
388 Iron or steel angles, beams, channels, columns, girders, joists, piling, tees, zebs, and other shapes or sections, not punched, drilled or further manufactured than hot rolled, weighing not less than 35 pounds per lineal yard, n.o.p., per ton	15 p.c.	\$7.00	389 454	\$4.50	\$6.00	\$7.00
		\$8.00		20 p.c.	27½ p.c.	\$8.00
		25 p.c.	390	20 p.c.	30 p.c.	30 p.c.
	\$1.00	\$2.75	379	\$2.00	\$2.75	\$3.00

Tariff Item		General Tariff	PRESENT RATES (E. & O. E.)			
			British Preferential Tariff	Inter- mediate Tariff	Present Tariff Item	General Tariff
388a	<p>The Governor in Council may, by Order-in-Council direct that there be substituted for tariff item 388 in Schedule A of the Customs tariff, 1907, and the several rates of duties of Customs set opposite said item in Schedule A the following:</p> <p>Iron or steel angles, beams, channels, columns, girders, joists, piling, tees, zeels, and other shapes or sections, not punched, drilled or further manufactured than hot rolled, weighing not less than one hundred and twenty pounds per lineal yard, n.o.p., per ton..</p> <p>From and after the publication of such Order-in-Council in the Canada Gazette, tariff item 388 as it appears in said Schedule at the time of passing of this Act, shall be repealed and the provisions of the said tariff item as it appears in the last preceding subsection of this section shall be substituted therefor.</p> <p>The Governor in Council shall not direct that such provisions shall be substituted as aforesaid unless and until the Governor in Council is satisfied that iron or steel angles, beams, channels, columns, girders, joists, piling, tees, zeels, and other shapes or sections weighing less than one hundred and twenty pounds per lineal yard are manufactured in substantial quantities in Canada from steel made in Canada.</p>	\$2.00				
	Iron or steel shapes or sections, as hereunder defined, not punched, drilled or further manufactured than hot rolled, weighing not less than 35 pounds per lineal yard, viz: I-beams, up to and including 6 inches in depth, but not to include H sections; channels, up to and including 7 inches in depth; angles, up to and including 6 inches by 6 inches; zeels, up to and including 6 inches in depth of web, per ton.....	\$6.00			379	\$3.00
388b	Iron or steel angles, beams, channels, columns, girders, joists, piling, tees, zeels, and other shapes or sections, not punched, drilled or further manufactured than hot rolled, n.o.p., per ton.....	\$6.00				\$7.00
		\$4.25				\$6.00
		\$4.00				\$2.00
		\$5.50				\$2.75
		\$6.00				\$3.00
		\$4.25				\$6.00
		\$7.00				\$7.00

388c	Iron or steel beams or joists, not punched, drilled or further manufactured, that are rolled, weighing less than 5½ pounds per lineal yard for each inch in depth of web.	5 p.c.	12½ p.c.	17½ p.c.	377	\$1.25	\$6.00	\$7.00
388d	Iron or steel angles, beams, channels, columns, girders, joists, piling, tees, zees, and other shapes or sections, punched, drilled or further manufactured than hot rolled or cast, n.o.p.	10 p.c.	30 p.c.	35 p.c.	391	22½ p.c.	30 p.c.	35 p.c.
389	Provided: That upon any article or commodity enumerated in this item 388a, 388b, 388c, 388d, 388e, 388f, 388g, 388h, 388i, 388j, 388k, 388l, 388m, 388n, 388o, 388p, 388q, 388r, 388s, 388t, 388u, 388v, 388w, 388x, 388y, 388z, 388aa, 388ab, 388ac, 388ad, 388ae, 388af, 388ag, 388ah, 388ai, 388aj, 388ak, 388al, 388am, 388an, 388ao, 388ap, 388aq, 388ar, 388as, 388at, 388au, 388av, 388aw, 388ax, 388ay, 388az, 388ba, 388bb, 388bc, 388bd, 388be, 388bf, 388bg, 388bh, 388bi, 388bj, 388bk, 388bl, 388bm, 388bn, 388bo, 388bp, 388bq, 388br, 388bs, 388bt, 388bu, 388bv, 388bw, 388bx, 388by, 388bz, 388ca, 388cb, 388cc, 388cd, 388ce, 388cf, 388cg, 388ch, 388ci, 388cj, 388ck, 388cl, 388cm, 388cn, 388co, 388cp, 388cq, 388cr, 388cs, 388ct, 388cu, 388cv, 388cw, 388cx, 388cy, 388cz, 388da, 388db, 388dc, 388dd, 388de, 388df, 388dg, 388dh, 388di, 388dj, 388dk, 388dl, 388dm, 388dn, 388do, 388dp, 388dq, 388dr, 388ds, 388dt, 388du, 388dv, 388dw, 388dx, 388dy, 388dz, 388ea, 388eb, 388ec, 388ed, 388ee, 388ef, 388eg, 388eh, 388ei, 388ej, 388ek, 388el, 388em, 388en, 388eo, 388ep, 388eq, 388er, 388es, 388et, 388eu, 388ev, 388ew, 388ex, 388ey, 388ez, 388fa, 388fb, 388fc, 388fd, 388fe, 388ff, 388fg, 388fh, 388fi, 388fj, 388fk, 388fl, 388fm, 388fn, 388fo, 388fp, 388fq, 388fr, 388fs, 388ft, 388fu, 388fv, 388fw, 388fx, 388fy, 388fz, 388ga, 388gb, 388gc, 388gd, 388ge, 388gf, 388gg, 388gh, 388gi, 388gj, 388gk, 388gl, 388gm, 388gn, 388go, 388gp, 388gq, 388gr, 388gs, 388gt, 388gu, 388gv, 388gw, 388gx, 388gy, 388gz, 388ha, 388hb, 388hc, 388hd, 388he, 388hf, 388hg, 388hh, 388hi, 388hj, 388hk, 388hl, 388hm, 388hn, 388ho, 388hp, 388hq, 388hr, 388hs, 388ht, 388hu, 388hv, 388hw, 388hx, 388hy, 388hz, 388ia, 388ib, 388ic, 388id, 388ie, 388if, 388ig, 388ih, 388ii, 388ij, 388ik, 388il, 388im, 388in, 388io, 388ip, 388iq, 388ir, 388is, 388it, 388iu, 388iv, 388iw, 388ix, 388iy, 388iz, 388ja, 388jb, 388jc, 388jd, 388je, 388jf, 388jg, 388jh, 388ji, 388jj, 388jk, 388jl, 388jm, 388jn, 388jo, 388jp, 388jq, 388jr, 388js, 388jt, 388ju, 388jv, 388jw, 388jx, 388jy, 388jz, 388ka, 388kb, 388kc, 388kd, 388ke, 388kf, 388kg, 388kh, 388ki, 388kj, 388kk, 388kl, 388km, 388kn, 388ko, 388kp, 388kq, 388kr, 388ks, 388kt, 388ku, 388kv, 388kw, 388kx, 388ky, 388kz, 388la, 388lb, 388lc, 388ld, 388le, 388lf, 388lg, 388lh, 388li, 388lj, 388lk, 388ll, 388lm, 388ln, 388lo, 388lp, 388lq, 388lr, 388ls, 388lt, 388lu, 388lv, 388lw, 388lx, 388ly, 388lz, 388ma, 388mb, 388mc, 388md, 388me, 388mf, 388mg, 388mh, 388mi, 388mj, 388mk, 388ml, 388mm, 388mn, 388mo, 388mp, 388mq, 388mr, 388ms, 388mt, 388mu, 388mv, 388mw, 388mx, 388my, 388mz, 388na, 388nb, 388nc, 388nd, 388ne, 388nf, 388ng, 388nh, 388ni, 388nj, 388nk, 388nl, 388nm, 388nn, 388no, 388np, 388nq, 388nr, 388ns, 388nt, 388nu, 388nv, 388nw, 388nx, 388ny, 388nz, 388oa, 388ob, 388oc, 388od, 388oe, 388of, 388og, 388oh, 388oi, 388oj, 388ok, 388ol, 388om, 388on, 388oo, 388op, 388oq, 388or, 388os, 388ot, 388ou, 388ov, 388ow, 388ox, 388oy, 388oz, 388pa, 388pb, 388pc, 388pd, 388pe, 388pf, 388pg, 388ph, 388pi, 388pj, 388pk, 388pl, 388pm, 388pn, 388po, 388pp, 388pq, 388pr, 388ps, 388pt, 388pu, 388pv, 388pw, 388px, 388py, 388pz, 388qa, 388qb, 388qc, 388qd, 388qe, 388qf, 388qg, 388qh, 388qi, 388qj, 388qk, 388ql, 388qm, 388qn, 388qo, 388qp, 388qq, 388qr, 388qs, 388qt, 388qu, 388qv, 388qw, 388qx, 388qy, 388qz, 388ra, 388rb, 388rc, 388rd, 388re, 388rf, 388rg, 388rh, 388ri, 388rj, 388rk, 388rl, 388rm, 388rn, 388ro, 388rp, 388rq, 388rr, 388rs, 388rt, 388ru, 388rv, 388rw, 388rx, 388ry, 388rz, 388sa, 388sb, 388sc, 388sd, 388se, 388sf, 388sg, 388sh, 388si, 388sj, 388sk, 388sl, 388sm, 388sn, 388so, 388sp, 388sq, 388sr, 388ss, 388st, 388su, 388sv, 388sw, 388sx, 388sy, 388sz, 388ta, 388tb, 388tc, 388td, 388te, 388tf, 388tg, 388th, 388ti, 388tj, 388tk, 388tl, 388tm, 388tn, 388to, 388tp, 388tq, 388tr, 388ts, 388tt, 388tu, 388tv, 388tw, 388tx, 388ty, 388tz, 388ua, 388ub, 388uc, 388ud, 388ue, 388uf, 388ug, 388uh, 388ui, 388uj, 388uk, 388ul, 388um, 388un, 388uo, 388up, 388uq, 388ur, 388us, 388ut, 388uu, 388uv, 388uw, 388ux, 388uy, 388uz, 388va, 388vb, 388vc, 388vd, 388ve, 388vf, 388vg, 388vh, 388vi, 388vj, 388vk, 388vl, 388vm, 388vn, 388vo, 388vp, 388vq, 388vr, 388vs, 388vt, 388vu, 388vv, 388vw, 388vx, 388vy, 388vz, 388wa, 388wb, 388wc, 388wd, 388we, 388wf, 388wg, 388wh, 388wi, 388wj, 388wk, 388wl, 388wm, 388wn, 388wo, 388wp, 388wq, 388wr, 388ws, 388wt, 388wu, 388wv, 388ww, 388wx, 388wy, 388wz, 388xa, 388xb, 388xc, 388xd, 388xe, 388xf, 388xg, 388xh, 388xi, 388xj, 388xk, 388xl, 388xm, 388xn, 388xo, 388xp, 388xq, 388xr, 388xs, 388xt, 388xu, 388xv, 388xw, 388xx, 388xy, 388xz, 388ya, 388yb, 388yc, 388yd, 388ye, 388yf, 388yg, 388yh, 388yi, 388yj, 388yk, 388yl, 388ym, 388yn, 388yo, 388yp, 388yq, 388yr, 388ys, 388yt, 388yu, 388yv, 388yw, 388yx, 388yy, 388yz, 388za, 388zb, 388zc, 388zd, 388ze, 388zf, 388zg, 388zh, 388zi, 388zj, 388zk, 388zl, 388zm, 388zn, 388zo, 388zp, 388zq, 388zr, 388zs, 388zt, 388zu, 388zv, 388zw, 388zx, 388zy, 388zz	5 p.c.	12½ p.c.	17½ p.c.	377	\$1.25	\$6.00	\$7.00
390	Castings, of iron, malleable, n.o.p.	15 p.c.	25 p.c.	27½ p.c.	385	10 p.c.	12½ p.c.	15 p.c.
390a	Castings, of iron, non-malleable, n.o.p.	15 p.c.	25 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
390b	Castings, of steel, n.o.p.	15 p.c.	25 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
391	Castings, of iron or steel: (a) Being ingot moulds for use in the production of steel. (b) Being moulds, n.o.p.	Free	Free	Free	450a	Free	Free	Free
392	Forgings, of iron or steel, in any degree of manufacture, n.o.p.	Free	7½ p.c.	10 p.c.	450	5 p.c.	7½ p.c.	10 p.c.
393	Tires, of steel, in the rough, not drilled or machined in any manner, for railway vehicles, including locomotives and tenders	20 p.c.	27½ p.c.	30 p.c.	3 3	20 p.c.	27½ p.c.	30 p.c.
394	Axles and axle bars, n.o.p., and axle blanks, and parts thereof, of iron or steel: (a) For railway vehicles, including locomotives and tenders (b) For other vehicles, n.o.p.	Free	5 p.c.	7½ p.c.	3 9a	2.00	2.75	\$1.00
395	Sections, of iron or steel, not being ordinary square, flat or round bars, whether forged and punched or not, unfinished, when imported by manufacturers of harnes for use exclusively in the manufacture of harnes, in their own factories, under regulations prescribed by the Minister	20 p.c.	27½ p.c.	30 p.c.	392	22½ p.c.	30 p.c.	35 p.c.
		22½ p.c.	30 p.c.	35 p.c.	393	20 p.c.	27½ p.c.	35 p.c.
		20 p.c.	27½ p.c.	30 p.c.				
		Free	Free	Free	478a	Free	Free	Free

Tariff Item		PRESENT RATES (E. & O. E.)				General Tariff	Present Tariff Item	British Preferential Tariff	Inter- mediate Tariff	General Tariff
		British Preferential Tariff	Inter- mediate Tariff	General Tariff						
395a	Blanks, of iron or steel, when imported by manufacturers of milling cutters for use exclusively in the manufacture of milling cutters, in their own factories, under regulations prescribed by the Minister.									
396	Pipe, cast, of iron or steel, valued at not more than five cents per pound, per ton..... Provided that, if any country imposes upon such goods produced in, and imported from, Canada rates of duty higher than are enumerated in this item, equivalent rates of duty shall be imposed on such goods entering Canada from such country.	Free \$5.00	12½ p.c. \$9.00	12½ p.c. \$10.00			386 394	5 p.c. \$6.00	12½ p.c. \$7.00	12½ p.c. \$8.00
396a	Pipe, cast, of iron or steel, n.o.p.....						394	\$6.00	\$7.00	\$8.00
397	Pipes and tubes, of wrought iron or steel, plain or coated: (a) Welded or seamless, with plain or processed ends, not more than 10½ inches in diameter, n.o.p..... (b) Welded or seamless, with plain or processed ends, more than 10½ inches in diameter, n.o.p....	5 p.c. 15 p.c. 10 p.c.	7½ p.c. 27½ p.c. 15 p.c.	10 p.c. 30 p.c. 20 p.c.			399 400 398a 400	15 p.c. 20 p.c. 10 p.c. 20 p.c.	27½ p.c. 27½ p.c. 15 p.c. 27½ p.c.	30 p.c. 30 p.c. 15 p.c. 30 p.c.
398	(c) Not joined, with plain ends, not more than 2½ inches in diameter, n.o.p..... (d) N.o.p.....	5 p.c. 15 p.c.	10 p.c. 27½ p.c.	15 p.c. 30 p.c.			397 400 400	Free 20 p.c. 20 p.c.	Free 27½ p.c. 27½ p.c.	Free 30 p.c. 30 p.c.
399	Pipes and tubes, of steel, seamless, cold drawn, plain ends, valued at not less than five cents per pound, n.o.p..... Pipes, tubes and flues, of wrought iron or steel, not further manufactured than in straight lengths, with plain, swelled or thickened ends, when imported by manufacturers for use exclusively in the manufacture or repair of pressure parts of boilers, pulp mill evaporators and vessels for the refining of oil, in their own factories, under regulations prescribed by the Minister.....	Free	5 p.c.	5 p.c.			396	Free	5 p.c.	5 p.c.
399a	Pipes and tubes, of wrought iron or steel, brass covered, not more than 3 inches in diameter, and brass trimmings, not polished, lacquered or otherwise manufactured, when imported by manufacturers of iron or brass bedsteads for use exclusively in the manufacture of iron or brass bedsteads, in their own factories, under regulations prescribed by the Minister.....	Free	Free	Free			395	Free	Free	Free
		Free	Free	Free			486	Free	Free	Free

400	Fittings, of iron or steel, of every description for iron or steel pipes and tubes.....	20 p.c.	27½ p.c.	30 p.c.	402	20 p.c.	27½ p.c.	30 p.c.
401	Wire, of iron or steel: (a) Barbed fencing, coated or not..... (b) Twisted, braided or stranded, including wire rope or cable, coated or not, n.o.p..... (c) Drawn flat or cold rolled flat after drawing, coated or not, n.o.p. not more than .25 inch in width and less than .1875 inch in thickness..... (d) Coated with zinc or spelter, curved or not, in coils, .144, .104, or .092 inch in diameter, with tolerance not to exceed .004 inch, and not for use in telegraph or telephone lines..... (e) Coated with zinc or spelter, n.o.p..... (f) Single or several, covered with any material, including cables so covered, coated, n.o.p.....	Free 15 p.c. 7½ p.c.	Free 22½ p.c. 15 p.c.	Free 25 p.c. 20 p.c.	406 384 406 404 406 407 406 406	Free 17½ p.c. 15 p.c. Free 15 p.c. 20 p.c. 15 p.c. 15 p.c.	Free 22½ p.c. 17½ p.c. Free 17½ p.c. 20 p.c. 15 p.c. 15 p.c.	Free 25 p.c. 20 p.c. Free 20 p.c. 30 p.c. 20 p.c. 20 p.c.
402	Woven or welded wire fencing, of iron or steel, from wire not more than .144 inch and not less than .080 inch in diameter, with tolerance not to exceed .004 inch; wire fencing, of iron or steel, coated or not, n.o.p.	Free	12½ p.c.	15 p.c.	405	10 p.c.	12½ p.c.	15 p.c.
402a	Woven or welded wire fencing, of iron or steel, coated or not, n.o.p.; wire cloth or wire netting, of iron or steel, coated or not.....	15 p.c.	27½ p.c.	30 p.c.	409	20 p.c.	27½ p.c.	30 p.c.
403	Wire, of steel: (a) Spring, not less than .40 per centum, by weight, of carbon, .128, .116, .104 and .092 inch in diameter, with tolerance not to exceed .003 inch, when imported by manufacturers of mattresses, cushions or upholstery for use exclusively in the manufacture of mattresses, cushions or upholstery, in their own factories, under regulations prescribed by the Minister..... (b) Flat or woven flat, in the coil, coated or not, .014 inch in thickness or thinner, with tolerance not to exceed .002 inch, when imported by manufacturers of corset clasps, steels, wires and dress stays for use exclusively in the manufacture of corset clasps, steels, wires and dress stays, in their own factories, under regulations prescribed by the Minister..... (c) Valued at not less than 2½ cents per pound, when imported by manufacturers of wire rope for use exclusively in the manufacture of wire rope, in their own factories, under regulations prescribed by the Minister..... (d) Single and covered, in coils, for use exclusively in trolling in <i>bona fide</i> deep sea or inland commercial fishing operations.....	Free Free Free Free	5 p.c. 5 p.c. 5 p.c. 5 p.c.	7½ p.c. 7½ p.c. 7½ p.c. 7½ p.c.	481 406 479 403a	Free 15 p.c. Free Free	Free 17½ p.c. Free Free	Free 20 p.c. Free Free
		Free	7½ p.c.	10 p.c.	406	15 p.c.	17½ p.c.	20 p.c.

409e	separators including the motive power incorporated therein, and complete parts of all the foregoing	Free							
	Spraying and dusting machines and attachments therefor, including hand sprayers, for farm purposes only; fruit or vegetable grading machines and attachments; fruit or vegetable sorting machines; determining maturity of fruit; pruning hooks; pruning shears; and complete parts of all the foregoing	Free							
409f	Hay loaders, hay tedders, potato planters, potato grain crushers and grain or hay grinders for farm purposes, and all other agricultural implements or machinery, n.o.p., and complete parts of all the foregoing	Free							
409g	Young fowl, and complete parts of all the foregoing	Free							
409h	Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, and complete parts of all the foregoing	Free							
409j	Fanning mills; peawinners; corn husking machines; threshing, machine separators, including wind stackers, buggers, weighers and self-feeders therefor, and complete parts of all the foregoing	Free							
409k	Windmills and complete parts thereof, not including shafting	Free							
409l	Traction ditching machines (not being ploughs) for use in ditching for tile drains on farms, valued by retail at place of production, when new, at not more than \$1,000 each, and complete parts thereof	Free							
409m	Internal combustion traction engines for farm purposes, valued at not more than fourteen hundred dollars each, traction attachments designed and imported to be combined with automobiles in Canada for use as traction engines for farm purposes, and complete parts of all the foregoing	Free							
409n	Portable engines with boilers, in combination, for farm purposes, horse powers, and traction engines for farm purposes, n.o.p.; and complete parts of all the foregoing	Free							
409o	Tractors for use as traction engines for farm purposes only, viz.: engine, gas tank, generator, storage battery, and switchboard; and complete parts of all the foregoing	Free							
410	Complete parts thereof for use exclusively for loading coal into box cars	Free							

	Free	6 p.c.	445	Free	6 p.c.	6 p.c.
	10 p.c.	10 p.c.	448	5 p.c.	10 p.c.	10 p.c.
	10 p.c.	10 p.c.	448 453	5 p.c. 15 p.c.	10 p.c. 25 p.c.	10 p.c. 27½ p.c.
	10 p.c. 10 p.c.	10 p.c. 15 p.c.	448 453	5 p.c. 15 p.c.	10 p.c. 25 p.c.	10 p.c. 27½ p.c.
	15 p.c.	20 p.c.	449	10 p.c.	15 p.c.	20 p.c.
	10 p.c.	10 p.c.	447b 448	5 p.c. 5 p.c.	10 p.c. 10 p.c.	10 p.c. 10 p.c.
	17½ p.c.	17½ p.c.	446c	12½ p.c.	17½ p.c.	17½ p.c.
	Free	Free	446a	Free	Free	Free
	Free	Free	447a	Free	Free	Free
	19 p.c.	15 p.c.	447	12½ p.c.	17½ p.c.	17½ p.c.
	10 p.c.	10 p.c.	448	5 p.c.	10 p.c.	10 p.c.
	Free	Free	449	Free	Free	Free

exclusively in the construction, equipment and repairs of blast furnaces for smelting iron ore, such machinery and apparatus to include hot blast stoves and burners, blast piping and valves connecting the blowing engines with the furnace, seal cars, charging and hoisting apparatus, blast furnace gas piping, cleaners and washers; and integral parts of all the foregoing, but not to include wrought iron pipe or valves 10½ inches and under in diameter, nor structural iron work.	Free	5 p.c.	5 p.c.	460c	Free	5 p.c.	5 p.c.	5 p.c.
410h Equipment and integral parts thereof for distributing stone dust in mines.	Free	5 p.c.	10 p.c.	689b	Free	Free	5 p.c.	10 p.c.
410i Miners' rescue appliances, designed for emergency use in mines, where artificial breathing is necessary in the presence of poisonous gases, including high pressure oxygen pumps for use exclusively in connection with such appliances, and automatic resuscitation apparatus for artificial breathing to aid in the saving of human life, and integral parts of all the foregoing.	Free	Free	Free	689a	Free	Free	Free	Free
410j Miners' acetylene lamps and complete parts thereof; miners' safety lamps and complete parts thereof; accessories for cleaning, filling, charging, opening and testing miners' lamps; battery renewal preparations for miners' electric safety lamps; all for use exclusively in mines.	Free	Free	Free	460c	Free	Free	Free	Free
410k Machinery and apparatus, of a class or kind not made in Canada, for use exclusively in handling ore and other materials to be charged into the blast furnace, from the dock, car or stock pile, at the smelting works.	Free	Free	Free	460d	Free	Free	Free	Free
410l Ore crushers, rock crushers, stamp mills, grinding mills, rock drills, percussion coal cutters, coal augers, rotary coal drills, n.o.p., and complete parts of all the foregoing, for use exclusively in mining, metallurgical or quarrying operations.	10 p.c.	15 p.c.	20 p.c.	453c	10 p.c.	15 p.c.	20 p.c.	20 p.c.
410m Diamond drills and core drills, not including motive power, and electrically operated rotary coal drills, of a class or kind not made in Canada, and integral parts of the foregoing, for use exclusively in mining operations.	Free	Free	Free	460	Free	Free	Free	Free
410n Diamond drills and core drills, not including motive power, and electrically operated rotary coal drills, n.o.p., and integral parts of the foregoing, for use exclusively in mining operations.	Free	10 p.c.	10 p.c.	460	Free	Free	Free	Free
410o Coal cutting machines, n.o.p.; coal heading machines; electric or magnetic machines for concentrating or separating iron ores; automatic scales for use with conveyors; and integral parts of all the foregoing, for use exclusively in mining or metallurgical operations.	Free	Free	Free	460 437	Free	Free	Free	Free 30 p.c. 27½ p.c.

410x	flotation cells, oil feeders and reagent feeders for flotation machines and flotation cells; pumps vibrating and impact screens, jigs, magnetic separators, magnetic pulleys and filters, for use in the concentration or separation of ores, metals or minerals, and integral parts of all the foregoing.....	15 p.c.	17½ p.c.	20 p.c.	453g	10 p.c.	15 p.c.	20 p.c.
410y	Machinery, furnaces and appliances, of a class or kind not made in Canada, and integral parts thereof, for use in the refining of metals, and for the production of anodes, cathodes, blocks, slabs, pigs or ingots, in such refining processes.....	Free	Free	Free	453	15 p.c.	25 p.c.	27½ p.c.
410z	Heavy duty mine hoists, of a size and capacity not made in Canada.....	Free	5 p.c.	10 p.c.	453h	10 p.c.	15 p.c.	20 p.c.
411	Machinery and apparatus, n.o.p., and complete parts thereof, for the recovery of solid or liquid particles from flue or other waste gases at metallurgical or industrial plants, and for motive power, tanks for gas, nor pipes and valves 10½ inches or less in diameter.....	7½ p.c.	10 p.c.	12½ p.c.	460b	7½ p.c.	10 p.c.	12½ p.c.
411a	Machinery for use in sawing lumber, up to but not including the operation of planing, and complete parts thereof, not to include motive power, when for use exclusively in saw mills, (for the purpose of this item motive power is defined as equipment for driving the machinery of the saw mill).....	10 p.c.	15 p.c.	20 p.c.	453b	10 p.c.	15 p.c.	20 p.c.
411b	Machinery, logging cars, cranes, blocks and tackle, wire rope, but not including wire rope to be used for guy ropes or in braking logs going down grade, and complete parts of all the foregoing, for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier.....	10 p.c.	15 p.c.	20 p.c.	453b	10 p.c.	15 p.c.	20 p.c.
411c	Cylinder saw saws, wheel type sawe jointers, planing and clamping machinery, when for use exclusively in making staves.....	10 p.c.	15 p.c.	20 p.c.	453 453b	15 p.c. 10 p.c.	25 p.c. 15 p.c.	27½ p.c. 20 p.c.
412	Machinery, being newspaper printing presses, of not less value by retail than \$1,500 each, of a class or kind not made in Canada.....	Free	Free	Free	443	Free	Free	Free
412a	Machinery and apparatus, n.o.p., viz.: printing presses and type-making accessories (therefor, electrotyping and stereotyping machines; gun and mould apparatus for making press rollers; lithographic presses; offset presses; book-binding machines; dressing machines; engraving machines; photo-engraving apparatus; machines and apparatus for transferring by photographic processes to plates or rolls for use in lithography, rotogravure and printing; machines for graining metal plates; machines for sensitizing metal plates; machines for addressing and wrapping newspapers, magazines, periodicals, pamphlets, and catalogues;							

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
				Present Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff
	Free	5 p.c.	10 p.c.	442 453	Free 15 p.c.	5 p.c. 25 p.c.	10 p.c. 27½ p.c.
412b	Flat-bed cylinder printing presses, to print sheets of a size 25 x 38 inches or larger, and complete parts thereof; machines designed to fold or sheet-feed paper or cardboard, and complete parts thereof...						
412c	Typecasting and typesetting machines and parts thereof for use in printing offices.....	Free	10 p.c.	442	Free	5 p.c.	10 p.c.
413	Machinery and apparatus, of a class or kind not made in Canada, and parts thereof, specially constructed for preparing, manufacturing, testing or finishing yarns, cordage, and fabrics made from textile fibres or from paper, imported for use exclusively by manufacturers and scholastic or charitable institutions in such processes only.....	Free	Free	441	Free	Free	Free
413a	Machinery, of a class or kind not manufactured in Canada, for use in the manufacture of nets or netting for the fisheries, when imported by manufacturers for use exclusively in the making of such nets or netting, in their own factories, but not for use in making nets or netting commonly used for sportsmen's purposes.....	Free	10 p.c.	468	Free	5 p.c.	10 p.c.
414	Typewriters and complete parts thereof.....	Free	10 p.c.	468a	Free	5 p.c.	10 p.c.
414a	Dictating, transcribing and cylinder shaving machines and complete parts thereof, including cylinders and unfinished wax blanks.....	10 p.c.	25 p.c.	441a	17½ p.c.	22½ p.c.	25 p.c.
414b	Automatic teletypewriters and complete parts thereof.....	10 p.c.	25 p.c.	519 711	20 p.c. 15 p.c.	27½ p.c. 14½ p.c.	30 p.c. 17½ p.c.
414c	Adding, bookkeeping, calculating and invoicing machines and complete parts thereof, n.o.p.....	15 p.c.	25 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
415	Electric vacuum cleaners; and attachments thereof; hand vacuum cleaners; and complete parts of all the foregoing, including suction hose, n.o.p.....	12½ p.c.	25 p.c.	657	17½ p.c.	22½ p.c.	25 p.c.
				519 619 362	20 p.c. 20 p.c. 22½ p.c.	27½ p.c. 30 p.c. 30 p.c.	30 p.c. 35 p.c. 35 p.c.

415a	Refrigerators, domestic or store, of all kinds, completely equipped or not.....	12½ p.c.	20 p.c.	519 453	25 p.c.	27½ p.c. 25 p.c.	30 p.c. 27½ p.c.
415b	Washing machines, domestic, with or without motive power incorporated therein; complete parts of washing machines.....	Free	15 p.c.	453	25 p.c.	25 p.c.	27½ p.c.
415c	Clades, wringers, domestic, and complete parts thereof.....	10 p.c.	15 p.c.	660	25 p.c.	30 p.c.	32½ p.c.
415d	Sewing machines, with or without motive power incorporated therein; complete parts of sewing machines.....	10 p.c. Free	15 p.c. Free	440 671	25 p.c. Free	27½ p.c. Free	30 p.c. Free
415e	Sewing machine attachments.....						
416	Machinery and apparatus and complete parts thereof, including machinery and apparatus for carbonizing lignite coal, but not including motive power, when imported by manufacturers of fuel briquettes for use exclusively in the manufacture of fuel briquettes, in their own factories, under regulations prescribed by the Minister.....	Free	Free	462a 453	Free 15 p.c.	Free 25 p.c.	Free 27½ p.c.
417	Machinery of every kind and complete parts thereof, and structural iron and steel, when imported for use exclusively in the construction and equipment of factories for the manufacture of sugar from beet root, under regulations prescribed by the Minister.....	Free	Free	463	Free	Free	Free
418	Machinery and complete parts thereof, when imported by manufacturers for use exclusively in the manufacture of fish meal, stock and poultry food and fertilizers from fish and waste thereof, in their own factories, under regulations prescribed by the Minister.....	Free	15 p.c.	467a 453	20 p.c.	Free 15 p.c.	Free 27½ p.c.
419	Machinery and complete parts thereof, of a class or kind not made in Canada, when imported by manufacturers of metal keys for the opening of cans containing food products for use exclusively in the manufacture of such keys, in their own factories, under regulations prescribed by the Minister.....	Free	15 p.c.	453	20 p.c.	25 p.c.	27½ p.c.
420	Machinery and complete parts thereof, of a class or kind not made in Canada, when imported by manufacturers of leather for use exclusively in the tanning of leather or the embossing of leather, in their own factories, under regulations prescribed by the Minister.....	Free	7½ p.c.	453	10 p.c.	25 p.c.	27½ p.c.
421	Machinery and complete parts thereof, of a class or kind not made in Canada, viz: blunders, vibrating sifters or lawns, pugging machines, slip pumps, wet or dry pans, clay disintegrators, ball mills, clay wheels, pull-downs, battling-out machines, when imported by manufacturers of clay products for use exclusively in the manufacture of clay products, in their own factories, under regulations prescribed by the Minister.....	Free	7½ p.c.	453	10 p.c.	25 p.c.	27½ p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
					Present Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff
422	Street or road rollers and complete parts thereof.	10 p.c.	20 p.c.	20 p.c.	448b	12½ p.c.	20 p.c.	20 p.c.
422a	Concrete road-paving machines, self-propelling, end loading type, with a capacity of 21 cubic feet of wet concrete or more; concrete and asphalt road finishing machines; form graders; sub-graders; cement guns; cranes, shovels, drag-lines, pull-shovels, skimmers and other excavating and material handling machines and equipment of a full-revolving type; trench and ditch excavating machines, round wheel or vertical or ladder boom, chain and bucket type, for digging vertical or sloping bank ditches; back filling machines and equipment, mounted on self-propelling wheels or crawling traction, semi-or full-revolving boom and scraper type; steam or air driven pile hammers or extractors; well-points; truck turntables; all the foregoing of a class or kind not made in Canada, and complete parts thereof.	Free	10 p.c.	12½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
423	Electric dental engines.	Free	15 p.c.	20 p.c.	453a	15 p.c.	27½ p.c.	27½ p.c.
424	Fire engines and other fire extinguishing machines; hand fire extinguishers; sprinkler heads for automatic sprinkler systems for fire protection; complete parts of all the foregoing, n.o.p.	Free	15 p.c.	25 p.c.	439	22½ p.c.	30 p.c.	35 p.c.
425	Lawn mowers and complete parts thereof.	15 p.c.	25 p.c.	30 p.c.	450a	20 p.c.	30 p.c.	32½ p.c.
426	Ozone generators or airifiers and complete parts thereof, of a class or kind not made in Canada.	Free	5 p.c.	10 p.c.	453j	Free	5 p.c.	10 p.c.
427	All machinery composed wholly or in part of iron or steel, of a class or kind not made in Canada, n.o.p., and complete parts thereof.	Free	15 p.c.	20 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
427a	All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof.	15 p.c.	25 p.c.	30 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
428	Traction engines and complete parts thereof, n.o.p.	Free	10 p.c.	15 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
428a	Automobile engines and complete parts thereof, n.o.p.	15 p.c.	25 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
428b	Engines or boilers, of a class or kind not made in Canada, and complete parts thereof, n.o.p.	Free	15 p.c.	20 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
428c	Engines or boilers and complete parts thereof, n.o.p.	15 p.c.	25 p.c.	30 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
429	Cutlery of iron or steel, plated or not: (a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground or otherwise manufactured. (b) Table knives and table forks. (c) Pen knives, jack-knives and pocket-knives of all kinds.	Free	7½ p.c.	10 p.c.	425	5 p.c.	7½ p.c.	10 p.c.
		20 p.c.	27½ p.c.	30 p.c.	426	20 p.c.	27½ p.c.	30 p.c.
		20 p.c.	27½ p.c.	30 p.c.	426	20 p.c.	27½ p.c.	30 p.c.

Tariff Item		PRESENT RATES (E. & O. E.)						
		British Preferential Tariff	Inter- mediate Tariff	General Tariff	Present Tariff Item	British Preferential Tariff	Inter- mediate Tariff	General Tariff
432d	Manufactures of tinplate, painted, japanned, decorated or not, and manufactures of tin, n.o.p.	15 p.c.	22½ p.c.	25 p.c.	344	15 p.c.	22½ p.c.	25 p.c.
433	Baths, bathtubs, basins, closets, lavatories, urinals, sinks, and laundry tubs of iron or steel, coated or not.	10 p.c.	25 p.c.	35 p.c.	289	20 p.c.	30 p.c.	35 p.c.
434	Locomotives and motor cars, for railways, and chassis, tops, wheels, and bodies for the same, n.o.p.	15 p.c.	30 p.c.	35 p.c.	438	22½ p.c.	30 p.c.	35 p.c.
435	Locomotives and motor cars for railways, of a class or kind not made in Canada, for use exclusively in mining or metallurgical operations.	10 p.c.	15 p.c.	20 p.c.	438e	10 p.c.	15 p.c.	20 p.c.
436	Locomotives and railway passenger, baggage and freight cars, being the property or under the control of railway companies in the United States, running upon any line or road crossing the frontier, so long as Canadian locomotives and cars are admitted free under similar circumstances into the United States, under regulations prescribed by the Minister.	—	Free	Free	595	—	Free	Free
437	Locomotives, cars and coaches and repair equipment, belonging to railroads, brought temporarily into Canada for the purpose of clearing obstructions, fighting fires or making emergency repairs on railway lines within Canada.	—	Free	Free	438 593 593 594	22½ p.c. 20 p.c. 20 p.c. 20 p.c.	30 p.c. 27½ p.c. 27½ p.c. 27½ p.c.	35 p.c. 30 p.c. 30 p.c. 30 p.c.
438	Railway cars and parts thereof, n.o.p.	15 p.c.	27½ p.c.	30 p.c.	751	20 p.c.	27½ p.c.	30 p.c.
439	Bicycles and tricycles, n.o.p.	20 p.c.	27½ p.c.	30 p.c.	362	22½ p.c.	30 p.c.	35 p.c.
439a	Articles, of iron or steel, wholly or in part of nickel or electro-plated, when imported by manufacturers of bicycles or tricycles for use exclusively in the manufacture of bicycles or tricycles, in their own factories, under regulations prescribed by the Minister.	15 p.c.	27½ p.c.	30 p.c.	593	20 p.c.	27½ p.c.	30 p.c.
439b	Cars, n.o.p., wheelbarrows, trucks, road or railway scrapers and hand carts.	15 p.c.	27½ p.c.	30 p.c.	591	5 p.c.	10 p.c.	10 p.c.
439c	Farm wagons, farm sleds, logging wagons, logging sleds, and complete parts thereof.	Free	10 p.c.	10 p.c.	591a	17½ p.c.	25 p.c.	25 p.c.
439d	Freight wagons, drays, sleighs, n.o.p., and complete parts thereof.	Free	25 p.c.	25 p.c.	592	22½ p.c.	30 p.c.	35 p.c.
439e	Buggies, cutters, carriages, pleasure carts and vehicles, n.o.p.; complete parts of all the foregoing.	Free	10 p.c.	15 p.c.	592	22½ p.c.	30 p.c.	35 p.c.
439f	Children's carriages, sleds and other vehicles; complete parts of all the foregoing.	10 p.c.	25 p.c.	30 p.c.	592	22½ p.c.	30 p.c.	35 p.c.
440	Ships and other vessels built in any foreign country.							

440a	Shipping Act	if British registered, since Sept. 1, 1902, on application for licence to engage in the Canadian coasting trade; on the fair market value of the hull, rigging, machinery, boilers, furniture and appurtenances thereof, (as provided in part XVI of the Canada Shipping Act)	25 p.c.	25 p.c.	25 p.c.
			589		
440b	Vessels, dredges, scows, yachts, boats and other water-borne craft, built outside of Canada, of any material, destined for use or service in Canadian waters (not including registered vessels, entitled to engage in the coasting trade, nor vessels in transit between Canada and any place outside thereof), n.o.p.; on the fair market value of the hull, rigging, machinery, boilers, furniture, and appurtenances thereof, on arrival in Canada.	15 p.c.	25 p.c.	25 p.c.	25 p.c.
		Provided that regulations may be prescribed by the Minister for exemption from further duty after the duty specified in this item is once paid.	590	15 p.c.	
440b	Life boats and life saving apparatus specially imported by societies to encourage the saving of human life.	Free	Free	Free	Free
440c	Racing shells when imported by a bona fide amateur rowing club in Canada for use exclusively by such club.	Free	Free	Free	Free
440d	Anchors for vessels.	Free	25 p.c.	25 p.c.	25 p.c.
440e	Wire rope for use exclusively for rigging of ships and vessels, under regulations prescribed by the Minister.	Free	Free	Free	Free
440f	Iron or steel masts, or parts thereof; iron or steel angles, beams, knees, plates and sheets; cable chain; all the foregoing for ships and vessels, under regulations prescribed by the Minister.	Free	Free	Free	Free
440g	Manufactures of iron, brass or other metal, of a class or kind not made in Canada, for use exclusively in the construction or equipment of ships or vessels, under regulations prescribed by the Minister.	Free	Free	Free	Free
440h	Chromometers and compasses, and parts thereof, including cards thereof, of a class or kind not made in Canada, for ships or aircraft.	Free	Free	Free	Free
440i	The following articles and materials when imported by manufacturers of automatic gas buoys and automatic gas beacons, for use in the manufacture of such buoys and beacons, for the Government of Canada, for marine signal purposes or for export, under regulations prescribed by the Minister, viz.: iron or steel tubes over sixteen inches in diameter; flanged and dished steel heads made from boiler plate, over five feet in diameter; hardened steel balls, not less than three inches in diameter; acetylene gas lanterns and parts thereof; and tin bronze in bars or rods.	Free	Free	Free	Free

Tariff Item		PRESENT RATES (E. & O. E.)				General Tariff	Inter- mediate Tariff	British Preferential Tariff	Inter- mediate Tariff	General Tariff
		British Preferential Tariff	Inter- mediate Tariff	General Tariff	Present Tariff Item					
440j	Trawls, trawling spoons, fly hooks, sinkers, swivels, sportmen's fishing bait and fishing hooks, n.o.p.	20 p.c.	25 p.c.	30 p.c.	422			22½ p.c.	30 p.c.	35 p.c.
440k	Engines and complete parts thereof, to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats bona fide owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the Minister.	Free	12½ p.c.	15 p.c.	453e			10 p.c.	12½ p.c.	15 p.c.
440l	Aircraft and complete parts thereof, not including engines, under regulations prescribed by the Minister.	10 p.c.	25 p.c.	27½ p.c.	590a			15 p.c.	25 p.c.	27½ p.c.
440m	Engines and complete parts thereof, when imported for use only in the equipment of aircraft.	Free On and 10 p.c.	7½ p.c. after July 1, 25 p.c.	10 p.c. 1930. 27½ p.c.	590c On and			Free after July 1, 15 p.c.	7½ p.c. 1930 25 p.c.	10 p.c. 27½ p.c.
441	Guns, rifles, including air guns and air rifles not being toys; muskets, cannons, pistols, revolvers, or other firearms; cartridge cases, cartridges, primers, percussion caps, wads or other ammunition, n.o.p.; bayonets, swords, fencing foils and masks; gun or pistol covers or cases, game bags, loading tools and cartridge belts of any material.	10 p.c.	27½ p.c.	30 p.c.	424			20 p.c.	27½ p.c.	30 p.c.
441a	All tools and machinery not manufactured in Canada up to the required standard necessary for any factory to be established in Canada for the manufacture of rifles for the Government of Canada, under regulations prescribed by the Minister.	Free	Free	Free	464			Free	Free	Free
441b	All materials or parts in the rough unfinished, and screws, nuts, bands and springs, to be used in rifles to be manufactured at any factory, to be established in Canada for the manufacture of rifles, for the Government of Canada, under regulations prescribed by the Minister.	Free	Free	Free	464			Free	Free	Free
441c	Steel imported by manufacturers for use in their own factories in manufacturing rough unfinished parts of rifles, when such parts are to be used in rifles to be made for the Government of Canada, under regulations prescribed by the Minister.	Free	Free	Free						
441d	Gun barrels, in single tubes, forged, rough-bored.	Free	Free	Free	725			Free	Free	Free
442	Articles which enter into the cost of manufacture of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409f, 409g, 409i, 409o, and 439c, when imported by manufacturers for use exclusively	Free	Free	Free	736			Free	Free	Free

in the manufacture in their own factories of the regulations prescribed by the Minister.	5 p.c.	6 p.c.	6 p.c.	445a	5 p.c.	6 p.c.	6 p.c.
	Provided that goods which are entitled to free entry or to a lower rate of duty than is mentioned in this item shall not be entered at the rate specified in this item.						
442a	Pig iron or hot rolled iron or steel, when imported by manufacturers for use exclusively in the manufacture, in their own factories, of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 490g, 490j, 490o, and 439c, under regulations prescribed by the Minister.	Free	Free	445b	Free	Free	Free
442b	Materials which enter into the construction and form part of cream separators when imported by manufacturers of cream separators for use exclusively in the manufacture of cream separators, in their own factories, under regulations prescribed by the Minister.	Free	Free	472	Free	Free	Free
442c	Articles of metal when imported by manufacturers of cream separator parts for use exclusively in the manufacture of cream separator parts, in their own factories, under regulations prescribed by the Minister.	Free	Free	745	Free	Free	Free
443	Apparatus designed for cooking or for heating buildings.	Free	Free				
	(1) For coal or wood.....	Free	22½ p.c.	451	15 p.c.	22½ p.c.	25 p.c.
	(2) For gas.....	Free	23½ p.c.	451	15 p.c.	22½ p.c.	25 p.c.
	(3) For electricity.....	Free	23½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
	(4) For oil.....	Free	22½ p.c.	451	15 p.c.	22½ p.c.	25 p.c.
	(5) No p.	Free	22½ p.c.	451	15 p.c.	22½ p.c.	25 p.c.
443a	Electric tumbler and rotary switches and electric relay switches for automatic oven control, when imported by manufacturers of electric apparatus designed for cooking or for heating buildings, for use exclusively in the manufacture of electric apparatus designed for cooking or for heating buildings, in their own factories, under regulations prescribed by the Minister.	7½ p.c.	20 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
443b	Parts, when imported by manufacturers of electric switches for use exclusively in the manufacture of electric tumbler and rotary switches and electric relay switches for automatic oven control, for use on electric apparatus designed for cooking or for heating buildings.	Free	12½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
443c	Compensating thermometers or mercury thermometers, of a class or kind not made in Canada, when imported by manufacturers of apparatus designed for cooking or for heating buildings, for use exclusively in the manufacture of apparatus designed for cooking or for heating buildings, in their own factories, under regulations prescribed by the Minister.	Free	15 p.c.	657	17½ p.c.	22½ p.c.	25 p.c.

Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff	PRESENT RATES (E. & O. E.)			
				Present Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff
443d	Stove urns of metal, and dovetails, chaplets and hinge tubes of tin, when imported by manufacturers of apparatus designed for cooking or for heating buildings, for use exclusively in the manufacture of apparatus designed for cooking or for heating buildings, in their own factories, under regulations prescribed by the Minister.....	Free	10 p.c.	451a	5 p.c.	7½ p.c.	10 p.c.
444	Gas meters, and complete parts thereof.....	15 p.c.	35 p.c.	436	22½ p.c.	30 p.c.	35 p.c.
444a	Gas, coal oil or other lighting fixtures and appliances, n.o.p., including tips, burners, collars and galleries; gas mantles and incandescent gas burners; complete parts of all the foregoing.....	15 p.c.	30 p.c.	435	20 p.c.	27½ p.c.	30 p.c.
444b	Lamp shades, n.o.p., and shade holders.....	15 p.c.	30 p.c.	435	20 p.c.	27½ p.c.	30 p.c.
445	Electric light fixtures and appliances, n.o.p., and complete parts thereof.....	15 p.c.	30 p.c.	435	20 p.c.	27½ p.c.	30 p.c.
445a	Electric head, side and tail lights; electric torches or flashlights.....	15 p.c.	30 p.c.	435	20 p.c.	27½ p.c.	30 p.c.
445b	Electric arc lamps and incandescent electric light lamps.....	15 p.c.	30 p.c.	435	20 p.c.	27½ p.c.	30 p.c.
445c	Electric telegraph or telephone apparatus and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445d	Electric wireless or radio apparatus and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445e	Electric and galvanic batteries, n.o.p., and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445f	Electric dynamos or generators and transformers, n.o.p., and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445g	Electric motors, n.o.p., and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445h	Electric insulators of all kinds, n.o.p., and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445i	Electric sad irons and complete parts thereof.....	15 p.c.	27½ p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445j	Electric apparatus, of a class or kind not made in Canada, n.o.p., and complete parts thereof.....	Free	20 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
445k	Electric apparatus, n.o.p., and complete parts thereof.....	15 p.c.	30 p.c.	453	15 p.c.	25 p.c.	27½ p.c.
446	Manufactures, articles or wares, of iron or steel or of which iron or steel or both are the component materials of chief value, of a class or kind not made in Canada, n.o.p.....	Free	20 p.c.	454	20 p.c.	27½ p.c.	30 p.c.
446a	Manufactures, articles or wares, of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.....	15 p.c.	30 p.c.	454	20 p.c.	27½ p.c.	30 p.c.
447	Water pumps, hand or power, for domestic purposes only.....	Free	30 p.c.	454	20 p.c.	27½ p.c.	30 p.c.
				453	15 p.c.	25 p.c.	27½ p.c.

448	Steel balls, for use only on bearings of machinery and axles.....	Free	7½ p.c.	10 p.c.	491	Free	7½ p.c.	10 p.c.
449	Steel wool.....	Free	7½ p.c.	10 p.c.	492	5 p.c.	7½ p.c.	10 p.c.
450	Skates of all kinds, roller or other, and parts thereof.....	15 p.c.	25 p.c.	30 p.c.	423	22½ p.c.	32½ p.c.	35 p.c.
451	Buckles, clasps, eyelets, hooks and eyes, dome, snap, hookless or other fasteners, of iron, steel, brass or other metal, coated or not, n.o.p. (not being jewelry).....	20 p.c.	27½ p.c.	30 p.c.	420	20 p.c.	27½ p.c.	30 p.c.
451a	Needles, of any material or kind, n.o.p.....	15 p.c.	27½ p.c.	30 p.c.	454	20 p.c.	27½ p.c.	30 p.c.
451b	Pins manufactured from wire of any metal, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.	362	22½ p.c.	30 p.c.	35 p.c.
451c	Corset clasps, busks, blanks, steels, and covered corset wires, cut to length, tipped or untipped; reed, ratan or horn, covered.....	15 p.c.	27½ p.c.	30 p.c.	357	17½ p.c.	27½ p.c.	30 p.c.
451d	Metal glove fasteners, papier mache shoe buttons, shoe eyelets, corset eyelets, shoe eyelet hooks, shoe lace wire fasteners.....	15 p.c.	27½ p.c.	30 p.c.	352	10 p.c.	27½ p.c.	30 p.c.
452	Metal tips, studs and eyes, when imported by manufacturers of corset clasps and corset wires for use exclusively in the manufacture of corset clasps and corset wires, in their own factories, under regulations prescribed by the Minister.....	Free	Free	Free	711	15 p.c.	17½ p.c.	17½ p.c.
453	Metal parts when imported by manufacturers of covered buttons for use exclusively in the manufacture of covered buttons, in their own factories, under regulations prescribed by the Minister.....	Free	Free	Free	419	20 p.c.	27½ p.c.	30 p.c.
454	Frames not more than ten inches in width, clasps and fasteners, when imported by manufacturers of purses, chatelaine bags or reticules for use exclusively in the manufacture of purses, chatelaine bags or reticules in their own factories, under regulations prescribed by the Minister.....	Free	17½ p.c.	20 p.c.	419	20 p.c.	27½ p.c.	30 p.c.
455	Ribs of brass, iron or steel, runners, rings, caps, notches, ferrules, mounts and sticks or canes in the rough, or not further manufactured than cut into lengths, suitable for umbrella, parasol, sunshade or walking sticks, when imported by manufacturers of umbrellas, parasols and sunshades for use exclusively in their own factories, under regulations prescribed by the Minister.....	Free	17½ p.c.	20 p.c.	637	22½ p.c.	30 p.c.	35 p.c.
456	Wire of brass, zinc, iron or steel, screwed, twisted, flattened or corrugated, for use exclusively in connection with nailing machines for the manufacture of boots and shoes, in boot and shoe factories, under regulations prescribed by the Minister.....	Free	5 p.c.	7½ p.c.	671	Free	Free	Free
		Free	Free	Free	671a	Free	Free	Free
		Free	Free	Free	650	12½ p.c.	17½ p.c.	20 p.c.
		Free	Free	Free	658	12½ p.c.	17½ p.c.	20 p.c.
		Free	Free	Free	672	Free	Free	Free
		Free	Free	Free	482	Free	Free	Free

Tariff Item		PRESENT RATES (U. & O. E.)				
		British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Tariff Item	General Tariff
457	Tubs of metal, coated or not; metal frames for wringers, with or without metal fittings, coated or not; nickel plated copper sheets; all when imported by manufacturers of washing machines or wringers for use exclusively in the manufacture of washing machines or wringers, in their own factories, under regulations prescribed by the Minister.	Free	7½ p.c.	10 p.c.	454 362	20 p.c. 22½ p.c. 27½ p.c. 30 p.c. 30 p.c. 35 p.c.
457a	Materials or articles of metal, of a class or kind not made in Canada, when imported by manufacturers of washing machines or wringers for use exclusively in the manufacture of washing machines or wringers, in their own factories, under regulations prescribed by the Minister.	Free	5 p.c.	7½ p.c.	454 362	20 p.c. 22½ p.c. 27½ p.c. 30 p.c. 30 p.c. 35 p.c.
458	Materials, including all parts, when imported by manufacturers of traction engines for use exclusively in the manufacture of traction engines, in their own factories, under regulations prescribed by the Minister.	Free	Free	Free	1028 1039	99 p.c. drawback 30 p.c. drawback
459	Materials, including all parts, when imported by manufacturers of street or road rollers for use exclusively in the manufacture of street or road rollers, in their own factories, under regulations prescribed by the Minister.	Free	7½ p.c.	10 p.c.	1039	30 p.c. drawback
460	Materials to be used in Canada for the construction of bridges and tunnels crossing the boundary between the United States and Canada, when similar materials are admitted free under similar circumstances into the United States, under regulations prescribed by the Minister.	Free	Free	Free	596	Free
461	Safes, doors for safes and vaults; scales, balances, weighing beams and strength testing machines of all kinds, n.o.p.	10 p.c.	25 p.c.	30 p.c.	437	20 p.c.
462	Philosophical, photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, and tape lines of any material, n.o.p.; complete parts of all the foregoing.	15 p.c.	25 p.c.	30 p.c.	657 362 454 657	17½ p.c. 22½ p.c. 20 p.c. 27½ p.c. 22½ p.c.
463 464	Magic lanterns and slides therefor. Steel dies, of a class or kind not made in Canada, valued at not less than one thousand dollars each, for use exclusively in stamping metal sheets or metal plates.	Free	20 p.c.	25 p.c.	453d	Free

Tariff Item		General Tariff	PRESENT RATES (E. & O. E.)			
			British Preferential Tariff	Intermediate Tariff	Present Tariff Item	General Tariff
476b	Surgical suction apparatus including motive power; surgical catgut; chloroform; ethyl chloride; canopy or pedestal operating room lights designed to minimize shadow, not including bulbs; all the foregoing of a class or kind not made in Canada, and complete parts thereof, when imported in good faith for the use and by the order of any public hospital.	Free	Free	Free	453 711 219 435	27½ p.c. 17½ p.c. 25 p.c. 30 p.c.
477	Metallic tubes, glass caps, shells, containers and capillary tubes, rubber bulbs, boxes and corks, when imported by manufacturers of vaccine points for use exclusively in the manufacture of vaccine points, in their own factories, under regulations prescribed by the Minister.	Free	Free	Free	676 688	Free Free
478	Artificial limbs, and complete parts thereof.	Free	Free	Free	770 719 506a	Free Free Free
479	Materials and articles, when imported by manufacturers of artificial limbs for use exclusively in the manufacture of artificial limbs, in their own factories, under regulations prescribed by the Minister.	Free	Free	Free	611b	Free
480	Crutches or specially constructed staffs for cripples.	Free	Free	Free	453	27½ p.c.
481	Specially constructed boot or appliance made to order for a person having a crippled or deformed foot or ankle.	Free	Free	Free	494	20 p.c.
482	Ear-telephone sets and similar appliances, including complete parts and batteries therefor, for use by deaf persons, under regulations prescribed by the Minister.	Free	Free	Free	494a	25 p.c.
494	Manufactures of corkwood or cork bark, n.o.p., including strips, shives, shells and washers of cork.	Free	Free	Free	498	10 p.c.
494a	Cork slabs, boards, planks and tiles produced from cork waste or granulated or ground cork.	Free	Free	Free	502b	15 p.c.
498	Cane, reed or ratten, not further manufactured than split, n.o.p.	Free	Free	Free	502d	15 p.c.
502b	Bicycle rim strips of maple not further manufactured than bent to shape and jointed.	Free	Free	Free	506	25 p.c.
502d	Gun stocks and fore-ends for shot guns, of walnut in the rough, not further manufactured than bored and channelled, when imported by manufacturers of shot guns for use only in the manufacture of shot guns in their own factories.	Free	Free	Free		
506a	Clothes pins, with springs, per gross.	Free	Free	Free		

413	Umbrella, parasol and sunshade sticks or handles, of any material	Free	17½ p.c.	20 p.c.	513	15 p.c.	17½ p.c.	20 p.c.
414	Blinds of wood, metal or other material, not textile or paper, covered, mounted and variable films of leather or cotton, n.o.p.	Free	27½ p.c.	30 p.c.	516	20 p.c.	27½ p.c.	30 p.c.
415	Various films of leather, n.o.p.	Free	17½ p.c.	10 p.c.	535a	10 p.c.	17½ p.c.	17½ p.c.
416	Various films of leather, n.o.p.	Free	5 p.c.	7½ p.c.	535a	10 p.c.	17½ p.c.	17½ p.c.
417	Various films of leather, n.o.p.	Free	5 p.c.	10 p.c.	442	Free	5 p.c.	10 p.c.
418	Various films of leather, n.o.p.	Free	20 p.c.	2 p.c.	577	15 p.c.	20 p.c.	25 p.c.
419	Various films of leather, n.o.p.	Free	17½ p.c.	17½ p.c.	581a	12½ p.c.	17½ p.c.	17½ p.c.
420	Various films of leather, n.o.p.	Free	6 cts.	6 cts.	588a	6 cts.	6 cts.	6 cts.
421	Various films of leather, n.o.p.	Free	12½ p.c.	15 p.c.	605	10 p.c.	12½ p.c.	15 p.c.
422	Various films of leather, n.o.p.	Free	10 p.c.	22½ p.c.	605	10 p.c.	12½ p.c.	15 p.c.
423	Various films of leather, n.o.p.	Free	17½ p.c.	35 p.c.	592	22½ p.c.	30 p.c.	35 p.c.
424	Various films of leather, n.o.p.	Free	22½ p.c.	10 p.c.	636	15 p.c.	17½ p.c.	20 p.c.
425	Various films of leather, n.o.p.	Free	10 p.c.	25 p.c.	649	17½ p.c.	22½ p.c.	25 p.c.
426	Various films of leather, n.o.p.	Free	10 p.c.	10 p.c.	650a	7½ p.c.	10 p.c.	10 p.c.
427	Various films of leather, n.o.p.	Free	7½ p.c.	7½ p.c.	657b	5 p.c.	7½ p.c.	7½ p.c.
428	Various films of leather, n.o.p.	Free	Free	Free	736	Free	Free	Free
429	Various films of leather, n.o.p.	Free	22½ p.c.	25 p.c.	711	15 p.c.	17½ p.c.	17½ p.c.
430	Various films of leather, n.o.p.	Free	17½ p.c.	10 p.c.	665	17½ p.c.	22½ p.c.	25 p.c.
431	Various films of leather, n.o.p.	Free	22½ p.c.	10 p.c.	665a	15 p.c.	17½ p.c.	20 p.c.
432	Various films of leather, n.o.p.	Free	22½ p.c.	25 p.c.	670	17½ p.c.	22½ p.c.	25 p.c.
433	Various films of leather, n.o.p.	Free	22½ p.c.	10 p.c.	670a	10 p.c.	12½ p.c.	15 p.c.
434	Various films of leather, n.o.p.	Free	17½ p.c.	15 p.c.	672a	10 p.c.	12½ p.c.	15 p.c.
435	Various films of leather, n.o.p.	Free	Free	Free	688	Free	Free	Free
436	Various films of leather, n.o.p.	Free	Free	Free	698a	Free	Free	Free
437	Various films of leather, n.o.p.	Free	Free	Free	349	5 p.c.	7½ p.c.	10 p.c.
438	Various films of leather, n.o.p.	Free	Free	Free	706	Free	Free	Free

Tariff Item		PRESENT RATES (E. & O.E.)			
		British Preferential Tariff	Inter- mediate Tariff	General Tariff	Present Tariff Item
	Provided that the Governor in Council may withdraw any of the privileges granted under this section in the case of any country which refuses to grant the same privileges to Canadian officials holding corresponding or equivalent posts in that country, and may also rescind any Order in Council withdrawing the privileges as aforesaid.				

4. Resolved, That Section B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928, and by Order in Council, be amended by striking thereout tariff items 1005, 1006, 1009, 1015, 1018, 1021, 1023, 1026, 1027, 1028, 1036, 1039, 1045, 1047, 1048, 1056, 1057, 1058, 1059, 1062, 1063, 1064, the enumerations of goods and the rates of drawback of customs duties set opposite to each of the said items, and by repealing Order in Council, P.C. 2851, dated the thirteenth day of August, 1921, and by inserting the following items, enumerations and rates of drawback of customs duties in said Schedule B:—

Tariff Item	Goods	When subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback	Present Rates (E. & O.E.)	
				Present Tariff Item	Drawback
1005	Steel.....	When used in the manufacture of cutlery or stove trimmings.....	99 p.c. drawback	1009	99 p.c.
1006	Steel.....	When used in the manufacture of scythes, reaping hooks, hay or straw knives, hoes, agricultural forks, hand rakes, axes or wind-mills.....	99 p.c. drawback	1009	99 p.c.
1009	Steel.....	When used in the manufacture of files, augers, auger bits, bit braces, wrenches, hammers or hatchets.....	60 p.c. drawback	1009	99 p.c.
1015	Steel.....	When used in the manufacture of skates or bicycle chain.....	40 p.c. drawback	1009	99 p.c.
1018	Seamless iron or steel tubing over four inches in diameter.....	When used in the transmission of natural gas under high pressure from the gas wells to points of distribution.....	50 p.c. drawback	1064	50 p.c.

1001	Rolled round wire rods in the coil, of iron or steel, not over .375 inch in diameter	When used in the manufacture of galvanized iron or steel wire, curved or not, .144, .104, or .092 inch in diameter with tolerance not to exceed .004 inch.....	99 p.c. drawback	1021	99 p.c.
1002	Hot rolled hexagon iron or steel bars	When used in the manufacture of cold drawn or cold rolled iron or steel bars.....	60 p.c. drawback	1023	99 p.c.
1026	Materials	When used in the manufacture of containers for articles entitled to entry under tariff item 219a....	99 p.c. drawback		New drawback
1027	Materials	When used by manufacturers of malleable iron castings or steel shafting for use exclusively in the manufacture of goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409i, 409j, and 430c.	80 p.c. drawback	1027	80 p.c.
1045	Steel sheets, coated with lead or with lead and tin, .064 inch to .022 inch in thickness, 20 to 42 inches in width and 50 to 120 inches in length.....	When used in the manufacture of stampings for automobiles.....	99 p.c. drawback	P.C. 2851	99 p.c.
1047	Materials	When used in the manufacture of articles enumerated in tariff item 410c.....	99 p.c. drawback	1047	99 p.c.
1048	Materials, including all parts	When used in the manufacture of goods enumerated in tariff item 410k.....	50 p.c. drawback	1048	50 p.c.
1056	Materials	When used in the manufacture of rolled iron or rolled steel entitled to entry under tariff item 442a, when such rolled iron or rolled steel is sold to manufacturers to be used as specified in said item.....	99 p.c. drawback	1056	99 p.c.
1057	Materials	When used in the manufacture of articles entitled to entry under tariff item 442, when such articles are sold to manufacturers to be used as specified in said item.....	80 p.c. drawback	1057	80 p.c.
1058	Materials	When used in the manufacture of articles entitled to entry under tariff items 411 and 411a, not including saws, and articles entitled to entry under tariff item 410 (1), when such articles are used as specified in said items..	60 p.c. drawback	1058	60 p.c.

Tariff Item	Goods	When subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback	Present Rates (E. & O.E.)	
				Present Tariff Item	Drawback
1059	Materials.....	When used in the manufacture of articles entitled to entry under tariff items 410b and 410z when such articles are used as specified in said items.....	70 p.c. drawback	1059	70 p.c.
1062	Materials, including all parts.....	When used in the manufacture of marking gauges, levels, planes or hand tool scrapers, spoke shaves, try squares, bevels, measuring tapes of metal, rules, forged wire rope sockets, lathe dogs, tool holders, forged clamps, chain pipe wrenches: Provided that no drawback shall be paid under this item unless at least fifty per centum of the cost of producing the finished article has been incurred in Canada; and provided further that no drawback under this item shall be payable more than once on any article.....	60 p.c. drawback	1062	60 p.c.
1063	Materials, including all parts, when imported prior to July 1, 1932.....	When used in the manufacture of engines for use exclusively in the equipment of aircraft: Provided that on and after July 1, 1930, no drawback shall be paid under this item unless at least twenty-five per centum of the cost of producing the finished engine has been incurred in Canada....	60 p.c. drawback	1063	50 p.c.
1064	Materials, including all parts, when imported prior to July 1, 1932.....	When used in the manufacture of aircraft, not including engines: Provided that no drawback shall be paid under this item unless at least fifty per centum of the cost of producing the finished article has been incurred in Canada.....	60 p.c.	.....	New Drawback

5. Resolved, That any enactment founded on the foregoing resolutions shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for consumption for which no entry for consumption was made before that day.

THE SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend The Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927, as amended by chapter fifty of the Act of 1928 and chapter fifty-seven of the Acts of 1929, and to provide:—

1. That section eighty-six of the said Act, as amended by section three of chapter fifty of the acts of 1928 and as amended by section five of chapter fifty-seven of the Acts of 1929, be amended by providing that the rate of consumption or sales tax be reduced to one per cent.

2. That schedule 111 to this Act be amended by changing the numbers of Customs Tariff items as follows:

<i>Tariff Item</i>		<i>Tariff Item</i>
410	to read	406a;
410a	"	406b;
445	"	409d;
445a	"	442;
445b	"	442a;
446	"	409b;
446b	"	409c;
446c	"	409k;
447	"	409n;
447b	"	409j;
448	"	409a, 409c, 409e, 409f, 409g, 409j, 409o;
449	"	409i, 431a;
450	"	431;
453b	"	411, 411a, 411b;
453c	"	410l;
453d	"	464;
453e	"	440k;
456a	"	391a;
460	"	410m, 410n, 410o, 410p, 410q, 410s;
460a	"	410q;
460b	"	410b, 410z;
460c	"	410g;
460d	"	410k;
461	"	410f;
461a	"	iron or steel pipe, not butt or lap welded, and wirebound wooden pipe, not less than thirty inches in in- ternal diameter, for use in alluvial gold mining;

<i>Tariff Item</i>		<i>Tariff Item</i>
466	"	476;
466a	"	476a;
469	"	410d;
469a	"	410e;
469b	"	410e;
506a	"	480;
591	"	439c;
591a	"	439d.

and that section eighty-eight of the said Act be amended by changing the numbers of Customs Tariff items:—

<i>Tariff Item</i>		<i>Tariff Item</i>
86	to read	85, 89a, 89b, 89c, 89d, 90d
105	"	105e, 106a, 106c
105a	"	106b
106	"	105, 105d

3. That any enactment founded on paragraphs one and two of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for which no entry for consumption was made before that date.

4. That section fifty-eight, as enacted by chapter fifty-seven of the Statutes of 1929, sections fifty-nine, sixty, sixty-one, sixty-two and sixty-three be repealed and provision made that there shall be imposed, levied and collected upon every change of ownership consequent upon the sale, transfer or assignment of any share of stock of any association, company or corporation, or any bond, debenture or debenture stock other than a bond, debenture or stock of the Dominion of Canada or of any Province of Canada, an Excise Tax as follows:—

- (a) Three cents for every one hundred dollars or fraction thereof, of the par value of a bond, debenture or debenture stock;
- (b) Five cents for every share of stock sold or transferred at a price over one hundred and fifty dollars per share;
- (c) Four cents for every share of stock sold or transferred at a price over seventy-five dollars per share but not more than one hundred and fifty dollars per share;
- (d) Three cents for every share of stock sold or transferred at a price over fifty dollars per share but not more than seventy-five dollars per share;
- (e) Two cents for every share of stock sold or transferred at a price over twenty-five dollars per share but not more than fifty dollars per share;
- (f) One cent for every share of stock sold or transferred at a price over five dollars per share but not more than twenty-five dollars per share;
- (g) One-quarter of one cent for every share of stock sold or transferred at a price of one dollar to five dollars per share, but not more than five dollars per share;
- (h) One-tenth of one per cent of the value of every share of stock sold or transferred at a price less than one dollar per share;

that the said tax shall be payable in Excise Tax stamps by the vendor, transferor or assignor;

that every person liable to collect or pay the said tax shall keep records and books of account;

and that any enactment founded on this paragraph four shall come into force on the first day of July, one thousand nine hundred and thirty.

THE INCOME WAR TAX ACT

Resolved, That it is expedient to amend the Income War Tax Act, and to provide—

1. That the corporation rate of tax be paid in respect of undistributed income when such undistributed income is received by a corporation on the sale or winding up of another corporation.

2. That the income of co-operative companies and associations be exempt from income tax.

3. (a) That an exemption of \$500.00 be granted in respect of dependent parents, grandparents, brothers, sisters, sons and daughters, incapable of self-support on account of mental or physical infirmity, not otherwise presently provided for.

(b) That donations, to the extent of ten per centum of the net income of the taxpayer to any church, university, college, school or hospital in Canada, be allowed as a deduction.

(c) That government or other like annuities to the extent of \$5,000.00 be exempt from income tax.

4. That corporate rate of tax be imposed on family corporations in respect of the interest therein of non-resident shareholders.

5. That directors, officers or employees of a Canadian company who reside abroad shall be taxable in respect of the dividend and interest income received from the company in which they are employed.

6. That any enactment founded on the foregoing resolutions shall be deemed to have come into force at the commencement of the 1929 taxation period and to be applicable thereto and to fiscal periods ending therein and to subsequent periods, except any enactment founded on resolution number one hereof, which shall be deemed to have come into force at the commencement of the 1930 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods.

CANADIAN COAL USED IN IRON AND STEEL PRODUCTION

Resolved, That it is expedient to introduce a measure to provide for the payment out of the Consolidated Revenue Fund of forty-nine and one-half cents per ton of bituminous coal mined in Canada and converted into coke in Canada and used in the smelting of iron from ore, or in the production of steel.

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BUDGET SPEECH

DELIVERED BY

RT. HON. R. B. BENNETT

MINISTER OF FINANCE
MEMBER FOR CALGARY WEST

IN THE

HOUSE OF COMMONS

JUNE 1, 1931



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

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BUDGET SPEECH

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RT. HON. R. B. BENNETT, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, MONDAY, JUNE 1

1931

Right Hon. R. B. BENNETT (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, in moving that you do now leave the chair for the purpose of enabling the house to resolve itself into a committee of ways and means to make good the supply to be granted to His Majesty for the twelve months ending March 31, 1932, I will follow the traditional practice of making a general survey of the financial and business operations of the Dominion during the last fiscal year. I will also indicate the ways and means which the government propose to utilize in providing the necessary revenues to meet the appropriations made by Parliament. I shall discuss these matters under five heads:

1. The financial operations of the Dominion for the fiscal year, April 1, 1930, to March 31, 1931.

2. The balance sheet of the Dominion on March 31 last showing assets active and non-active and liabilities direct and indirect.

3. Trade and commerce.

4. The estimated revenue and expenditures for the twelve months ending March 31, 1932.

5. The ways and means which will be adopted for the purpose of providing the necessary revenues to meet the proposed expenditures.

FINANCIAL OPERATIONS DURING FISCAL YEAR 1930-31

The period of national financing under review is the twelve months from April 1, 1930, to March 31, 1931. This was a period of sluggish commercial activity, with commodity prices steadily declining throughout the world. The consequences are shown in the Dominion's balance sheet, for eighty-three per cent of the consolidated fund receipts in 1930-31 was derived from taxation, the major portion being obtained by ad valorem assessments on the monetary value of business transacted. Therefore, the revenue collections from every tax, with one exception were substantially less than in the preceding year. The exception was the income tax, where the assessment was on earnings and profits made in the calendar year 1929. To find a parallel to the revenues in the past fiscal year, it is necessary to turn back ten years to the fiscal year 1921-22, and in that year the revenues were \$26,000,000 greater than the collections in the past fiscal year.

On the expenditure side, comparatively little advantage could be taken of declining commodity prices. This is due to the fact that fixed and uncontrollable charges constitute so large a proportion of the expenditures. The interest on the national debt was over 121 millions; war pensions amounted to 46 millions, and other uncontrollable expenditures absorbed an additional \$36,895,000. To these may be added the cost of civil government and other services where a somewhat lengthy time lag exists before declining commodity prices are reflected in reduced costs. These services involved an expenditure of 78 millions. In other words, 282 millions were expended during the year without the government gaining any offsetting advantages from the causes which brought about such substantial decreases in revenues.

Taxation Revenues, 1930-31

The major source of Canadian revenue is the customs tariff which last year produced 131 millions of dollars. This was 48 millions less than in the preceding year. A study of the imports of Canada during the period indicates that there was a substantial decline in the importations of nearly all commodities. One of the chief sources of customs revenue is the duty collected on alcoholic beverages, and in the year under review the revenue thus derived was 20 millions, as compared with 25 millions in the preceding year.

Recently our customs receipts have shown less fluctuation and the daily decreases are not so substantial as in the last

fiscal year, when the monthly decreases, as compared with the previous year were:

Month	Decrease
April, 1930	\$3,591,000
May.....	5,360,000
June.....	2,884,000
July.....	4,356,000
August.....	4,919,000
September.....	3,115,000
	<hr/>
	\$24,165,000
October.....	6,408,000
November.....	4,117,000
December.....	3,424,000
January, 1931.....	2,687,000
February.....	3,766,000
March period.....	3,653,000
	<hr/>
	24,055,000
	<hr/>
	\$ 48,220,000

The decrease during the first six months of the fiscal year was \$24,165,000; during the last six months of the fiscal year it was \$24,055,000.

It will be recalled that the tariff changes made at the special session came into effect during September although in certain cases, where uncompleted contracts were outstanding, the new rates were not levied until several weeks later. A comparison of the customs revenue for the two six-months' periods has this significance, that the changes did not make any material reduction in the receipts during the two six-months' periods of the year.

Excise Duties

The excise duties are largely assessments on alcoholic beverages and tobaccos manufactured in Canada. The total collected during the year was \$57,700,000. During the year excise collections on tobacco remained practically stationary at about 42 millions. Of the amount, duties on cigarettes produced \$30,500,000. There was a decline of over \$7,000,000 in excise duty collections on alcoholic beverages produced in Canada. On and after the 1st of July, 1930, clearances were denied to vessels having on board any intoxicating liquors destined for delivery in any country into which the importation of such liquor was prohibited. The enforcement of this law to a great extent explains the decline in the excise revenues.

Income Tax

The income tax ranks first in productivity amongst the war taxes and produced 71 millions in the year. As a matter of fact, this sum has been exceeded only once since its imposition and that was in the fiscal year 1921-22. It is a case of history repeating itself. The fiscal year 1922 was also a dark one in respect to total revenues, but income tax assessments were on the earnings and profits of 1920, the peak year of the post-war boom. In the past year total revenues were again

reduced, but income tax assessments were levied on the earnings and profits of a peak year, that of the stock market boom. Of the \$71,048,000 of income tax collected, \$26,600,000 was paid by individuals and \$44,400,000 by corporations. In the fiscal year 1921-22, when \$78,600,000 was received, individuals paid \$39,820,000 and corporations \$38,863,000.

Sales Tax

No tax more quickly reflected the declining commodity prices than did the sales tax. The shrinkage in the volume of business transacted, coupled with the decrease in values, made it apparent at the beginning of the calendar year 1930 that with business shrinking and sales contracting, the sales tax could not be depended upon to produce revenue to the same degree as in the previous year. This loss, instead of being compensated by an increase in the rate when the budget was brought down on May 1st, 1930, was aggravated by the rate being reduced from 2 per cent to 1 per cent. The result was a decline of over 24 millions in sales tax revenues during the year under review, the collections being somewhat over 20 millions, as compared with 44 millions in the previous year. It is perhaps desirable to point out that a change has been made in the accounting methods this year in respect of sales tax. Commencing in the fiscal year 1924-25 the payments made in April by licensees on sales made in the old year were credited to the fiscal year then last ended. This practice was not in harmony with that followed in respect of other public revenues and has been discontinued. Had it been followed, the revenues from sales tax credited to 1930-31 would be approximately \$1,700,000 greater.

Tax Summary

The other taxes represent small amounts, being, not infrequently, paid by the use of excise stamps, and are difficult to allocate. A statement of the revenue received from taxation for the last five years follows:

REVENUE FROM TAXATION, 1926-7 to 1930-31
(000 omitted)

	1926-27	1927-28	1928-29	1929-30	1930-31
Customs.....	\$141,969	\$156,986	\$187,206	\$179,430	(Unrevised) \$131,209
Excise.....	48,513	57,401	63,685	65,036	57,747
War tax revenue—					
Banks.....	1,175	1,225	1,243	1,408	1,429
Trust and loan companies...	335	345	8		
Insurance companies.....	948	999	895	74	74
Business profits.....	710	956	455	173	34
Income tax.....	47,386	56,571	59,422	69,021	71,048
Sales tax.....	82,306	72,100	63,646	44,859	20,785
Tax on cheques, transportation tax, etc.....	23,307	18,123	19,361	18,550	13,950
Total receipts from taxation..	\$346,649	\$364,706	\$395,921	\$378,551	\$296,276

Public Service Revenues

The sum of \$53,000,000 was collected by way of revenues from public services maintained by the government. The main contributor was the Post Office Department. The gross collections for postal services were \$37,500,000 and the net revenues \$30,200,000. Compared with the previous year, there was a decrease of \$3,100,000 in the net revenues. On the expenditure side the postal service costs were \$36,300,000, an increase of \$1,265,000. Therefore, the fiscal year ended with the Post Office Department showing a deficiency of \$6,100,000. To achieve an absolute calculation of the department's operations, a substantial sum, representing the expenditures of the Public Works Department for equipment, buildings, maintenance, etc., necessary for the handling of mails throughout Canada, would have to be added. On the other hand, the department is entitled to a substantial credit for the handling of government mail.

Interest on investments realized \$10,400,000. Of this \$2,000,000 was on sinking funds and \$1,299,000 on loans to Roumania and Greece, which were made during the war period. The harbour commissions, other than Quebec, paid \$3,492,000 in interest on the \$88,600,000 loaned by the Dominion to them. The major reduction in revenues under this group heading was in the interest paid by the chartered banks for advances under the Finance Act, although the amount collected was \$15,000 in excess of the collections in 1928. In 1929-30 the banks paid \$2,234,000, while in 1930-31 the payments were \$539,000.

The transfer of the natural resources to the western provinces materially reduced revenue from dominion lands there being a decrease from \$4,139,000 to \$1,655,000 in the year under review.

A division of the 53 millions of revenues from the public services, by sources, is:—

REVENUE FROM PUBLIC SERVICES, 1926-27 to 1930-31

—	1926-27	1927-28	1928-29	1929-30	1930-31 (unrevised)
—	\$	\$	\$	\$	\$
Non-Tax Revenue—					
Canada Grain Act.....	2,582,984	2,677,877	2,992,540	2,047,207	2,179,047
Canada Gazette.....	68,312	81,243	80,214	93,890	71,197
Canals.....	961,694	1,355,677	1,230,333	1,043,647	1,026,671
Casual.....	3,310,633	3,626,236	4,041,095	4,300,710	3,685,000
Chinese Revenue.....	13,228	14,179	18,224	14,345	21,996
Dominion Lands.....	3,327,273	3,688,595	4,070,339	4,139,104	1,655,401
Electric Light Inspection.....	538,917	563,913	563,964	546,957	632,151
Fines and Forfeitures..	504,310	564,140	655,485	748,343	433,712
Fisheries.....	175,213	119,144	109,300	116,724	73,937
Gas Inspection.....	76,880	85,716	92,398	100,763	94,255
Insurance Inspection...	120,334	123,768	131,626	138,780	148,942
Interest on Investments	8,559,401	10,937,822	12,227,562	13,518,205	10,421,225

REVENUE FROM PUBLIC SERVICES, 1926-27 to 1930-31—*Concluded*

—	1926-27	1927-28	1928-29	1929-30	1930-31 (unrevised)
	\$	\$	\$	\$	\$
Non-Tax Revenue— <i>Conc.</i>					
Marine.....	264,083	191,564	182,810	184,637	186,892
Mariners' Fund.....	195,080	222,048	236,808	209,322	201,768
Military College.....	18,239	20,232	20,204	19,820	19,882
Military Pension Revenue.....	128,387	128,017	155,830	158,881	158,872
Ordnance Lands.....	29,703	14,206	24,830	30,277	29,384
Patent and Copyright Fees.....	517,930	495,792	530,239	574,918	559,646
Penitentiaries.....	170,338	177,933	178,449	181,024	183,288
Post Office.....	29,069,169	31,562,580	30,611,964	33,345,385	30,212,326
Premium, Discount and Exchange.....	649,337	594,211	568,846	531,366	521,078
Public Works.....	422,864	395,281	414,085	408,151	374,500
Royal Can. M.P. Officers' Pension.....	8,769	6,144	6,373	6,471	6,357
Superannuation Fund..	392	172	81	5	.....
Weights and Measures.	333,034	361,690	399,247	407,248	419,750
Total Non-Tax Revenue.....	52,046,504	58,012,180	59,542,846	62,860,180	53,317,277

The consolidated fund receipts may now be summarized. In the fiscal year just ended these amounted to \$349,593,000, as compared with \$441,411,000 in 1929-30. In other words, there was a decrease of \$91,818,000.

Special Receipts

During the year certain special receipts came into the treasury which must be added before the total revenues for the year are given. The most important of these were the payments received on reparations, amounting to \$6,500,000. This was a larger sum than had been received in the preceding year, due to the success of the German international 5½ per cent loan 1930 making it possible for the creditor countries to receive a cash payment on future reparations account. Canada's share thus acquired was \$2,173,000. The acceptance of the plan involved the establishment by Canada of a small credit, amounting to \$272,000, in the Bank for International Settlements. This has been done. The amount received on ordinary reparation account was \$4,395,000.

Adding these special receipts to the consolidated fund, revenues for the year make a grand total of \$356,215,000, as compared with \$446,182,000 in the preceding year, a decrease of \$90,000,000. A comparison of revenues for the past five fiscal years is:

TOTAL REVENUE, 1926-27 TO 1930-31
(000 omitted)

	1926-27	1927-28	1928-29	1929-30	1930-31 (un-revised)
	\$	\$	\$	\$	\$
Receipts from taxation.....	346,649	364,706	395,921	378,551	296,276
Non-tax revenue.....	52,046	58,012	59,543	62,860	53,317
Consolidated fund receipts....	398,695	422,718	455,464	441,411	349,593
Special receipts.....	1,934	7,129	5,476	4,771	6,622
Grand total revenues.....	400,629	429,847	460,940	446,182	356,215

EXPENDITURES, 1930-31

The past fiscal year was marked by substantial increases in the expenditures for the public service. Some of these increases were to provide for new services or undertakings, others were a consequence of statutory enactments causing greater demands to be made upon the treasury. Apart from certain expenditures in connection with unemployment relief, those incurred on authority of governor general's warrants and some items approved by parliament on the closing days of the fiscal year, all expenditures were incurred on the authority of the previous administration.

Ordinary Expenditures

Ordinary expenditures for the year were \$394,000,000, as compared with \$357,780,000 in the fiscal year 1929-30. This was an increase of \$36,220,000, the more important items which show increases being:

Subsidies to provinces	\$4,900,000
Department of Indian Affairs.....	700,000
Old age pension.....	4,100,000
Lighthouse and coastal services.....	500,000
Air services	1,225,000
War pensions.....	5,550,000
Treatment and after-care of veterans.....	1,280,000
Post Office.....	1,265,000
Public Works.....	5,640,000
Maritime Freight Rates Act.....	2,925,000
Department of Trade and Commerce.....	1,690,000
Unemployment relief.....	4,432,000

There was an increase in the subsidy paid to Manitoba of \$4,970,027.62, as provided by legislation in connection with the transfer of natural resources to the province. The transfer of the natural resources made no change in the annual subsidy payments to the provinces of Alberta and Saskatchewan, although the dates of payments have been changed from March 1 and September 1 to January 1 and July 1.

The increase of expenditures, amounting to \$700,000, in connection with the Department of Indian Affairs, falls under two heads. During the year \$2,750,000 was spent in the construction of schools, which is \$424,000 more than in the preceding year. For the relief of destitute Indians, the providing of hospitals and medical services, an additional \$220,000 was expended.

The major increase in expenditures on account of old age pensions was due to larger payments being made in the province of Ontario. The act, during the fiscal year, applied to five provinces, and, in addition, small expenditures were made in the Northwest Territories. A statement of the expenditures, by provinces, is:

	1929-30	1930-31
Ontario.....	\$ 355,829	\$3,516,806
Manitoba.....	427,143	652,804
Saskatchewan.....	333,287	585,941
Alberta.....	62,555	320,225
British Columbia.....	357,801	580,804
Northwest Territories.....	558	1,562
	<hr/> \$1,537,173	<hr/> \$5,658,142

The increase of slightly over \$500,000 in the lighthouse and coast services was mainly due to the purchase of a lighthouse boat to be used in connection with the St. Lawrence river channel. The expenditures on that account, together with the purchase and erection of new lights, amounted to \$480,000.

The increase of over \$1,200,000 in air services falls under three headings. In connection with air services generally there was an increase of \$394,000: for civil air services \$387,000, and for air mail routes \$494,000. The sum of \$180,000 was expended in connection with the airport at Trenton, Ontario, and the establishment of new air mail routes made it necessary to establish and maintain new landing fields at various points throughout Canada. Other expenditures, due to increased use being made of the services of the air division, involved greater expenditures for supplies and equipment and also made it necessary to increase the personnel.

Expenditures Arising from the War

There is a unanimous sentiment that Canada shall provide adequately for those who served and suffered during the war, and annually the amount expended on account of pensions and after-care of veterans increases. In the year under review pension payments increased \$5,558,000, and after-care accounts by \$1,280,000, thus making a total expenditure on these two accounts of over 55 millions in the year under review. Since the outbreak of hostilities the Dominion has paid \$460,000,000

on account of European war pensions, and 182 millions for treatment and after-care of returned soldiers. In addition, sundry expenditures on account of soldier land settlement administration, battlefield memorials, the Imperial War Graves Commission, etc., amount to \$29,000,000. These items of expenditure reached a grand total of \$671,000,000 to the close of the fiscal year.

The increase of expenditures amounting to \$1,265,000 on Post Office account may be divided into three groups. Approximately \$322,000 was expended in settling overdue accounts with the printing bureau. These overdue accounts had accumulated over a series of years, and at the close of the fiscal year a supplementary estimate was authorized by parliament to bring the accounts into balance. An increase of \$570,000 in expenditures was due to the extension of air mail services and \$375,000 was spent in salary increases, mainly to those in the outside service.

The expenditures on ordinary account by the Public Works department were \$5,600,000 in excess of the expenditures in the previous year. Of this, the additional expenditures in connection with the erection and improvement of public buildings amounted to \$3,425,000. On harbour and river works expenditures showed an increase of \$2,100,000 as compared with the previous year.

The expenditures in respect to the Maritime Freight Rates Act in 1929-30 were \$7,400,000, and in the year under review they were \$10,327,000. The increase divides itself under two heads: \$627,000 was an account carried forward from the previous fiscal year, having been received too late to be included in the accounts for that year, and the balance, \$2,300,000, represented the additional amount payable as provided by the act for reductions in tolls and deficits on eastern lines.

The expenditures in respect to penitentiaries increased by \$676,000. During the year the penitentiary population increased 527, thereby requiring larger staffs and supplies. Of the increase, \$125,000 represents expenditures in connection with the erection of a new institution which was established during the year.

The Department of Trade and Commerce administers the Canada Grain Act, and during the year there was an increase of \$1,085,000 in its expenditures over those of the previous year in connection with the providing of elevators at Lethbridge, Moose Jaw and Saskatoon. An additional \$100,000 was spent on national research and \$126,000 in connection with the Canadian display at the exhibition at Buenos Aires.

Unemployment Relief

The special session of September last provided for the expenditure of \$20,000,000 to relieve unemployment. As a result, at the close of the fiscal year, the contracts initiated in consequence of this legislation amount to \$69,690,948, and at the end of March, 248,000 persons were employed. However, at the close of the fiscal year only a small portion of the total expenditures authorized had been presented for payment. In all, \$4,431,000 was actually paid, the money being disbursed as follows:

Alberta.....	\$ 186,600 17	
British Columbia.....	259,040 82	
Manitoba.....	305,638 53	
New Brunswick.....	250,233 67	
Nova Scotia.....	62,066 05	
Ontario.....	1,219,433 18	
Prince Edward Island.....	21,529 88	
Quebec.....	319,452 87	
Saskatchewan.....	535,698 95	
Yukon.....	20,000 00	
	<hr/>	\$3,179,694 12
Canadian National Ry.....	352,961 82	
Canadian Pacific Ry.....	345,420 00	
Grade Crossing Fund.....	500,000 00	
Parks Branch, Interior.....	36,996 81	
	<hr/>	1,235,378 63
Administration.....		16,582 32
		<hr/>
		\$4,431,655 07

May I add the records show that at the end of April employment had been given to 25,000 additional persons as compared with those employed on March 31.

A statement of the expenditures, by services, on ordinary account for the last five fiscal years now follows:

ORDINARY EXPENDITURES, 1926-1927 to 1930-31

Items	1926-27	1927-28	1928-29	1929-30	1930-31 (Unrevised)
	\$	\$	\$	\$	\$
Consolidated Fund Expenditure—					
Finance—					
Interest on debt.....	129,675,367	128,902,945	124,989,950	121,566,213	121,289,844
Subsidies to provinces.....	12,516,740	12,516,740	12,553,725	12,496,959	17,435,736
Charges of Management.....	963,252	884,532	923,363	1,015,766	920,136
Premium, Discount and Exchange.....	24,013	42,233	67,254	72,976	19,477
Superannuation No. 1 (Act of 1870).....	677,692	625,005	577,661	531,253	492,101
Superannuation No. 3 (Printing Bureau).....	20,789	19,038	17,792	15,930	14,413
Superannuation No. 4 (Act of 1920).....	770,121	723,825	671,611	631,293	592,846
Superannuation No. 6 (Widow's Annuities).....		130,946	140,570	142,708	140,167
Civil Government.....	10,865,757	11,576,140	11,819,981	12,258,009	12,628,562
Agriculture.....	5,838,941	6,487,766	7,201,566	9,286,746	9,143,977
Fisheries.....	1,437,179	1,751,147	1,974,118	2,274,294	2,261,817
Immigration.....	2,338,992	2,704,698	2,631,967	2,757,331	2,255,249
Indian Affairs.....	3,869,394	4,199,541	4,598,292	5,134,553	5,866,219
Interior—					
Dominion Lands and Parks.....	4,251,663	4,082,752	4,986,962	5,479,835	4,967,569
Scientific Institutions.....	717,000	733,919	793,594	816,515	817,052
Government of N.W. Territories.....	233,541	249,642	317,725	434,789	545,605
Government of Yukon Territory.....	189,120	178,511	184,181	186,374	201,451

ORDINARY EXPENDITURES, 1926-1927 to 1930-31—*Concluded*

Items	1926-27	1927-28	1928-29	1929-30	1930-31 (Unrevised)
	\$	\$	\$	\$	\$
Consolidated Fund Expenditure— Concluded					
Justice—					
Administration.....	2,201,141	2,190,810	2,203,209	2,198,909	2,214,268
Penitentiaries.....	1,685,556	1,755,763	1,807,655	2,561,115	3,236,816
Labour—					
Technical Education.....	1,047,536	965,955	1,152,165	413,287	391,397
Old Age Pensions.....		131,452	832,687	1,537,173	5,658,143
Administration, etc.....	404,879	313,620	364,819	415,939	509,980
Legislation—					
Senate, House of Commons, etc.....	2,699,262	1,995,707	2,264,008	2,292,633	2,427,781
	1,844,536	45,485	62,454	26,292	2,234,767
Marine—					
Ocean and River Service....	2,566,730	3,749,105	3,683,256	5,136,332	3,638,911
Lighthouse and Coast Ser- vice.....	2,463,558	2,771,031	2,812,900	2,874,623	3,391,875
Scientific Institutions.....	243,233	270,276	287,908	316,706	367,620
Steamboat Inspection.....	121,961	131,065	141,485	140,253	143,763
Mines.....	558,695	624,184	679,179	805,748	789,327
National Defence—					
Militia Services.....	9,141,220	10,151,975	11,044,334	11,032,749	10,979,659
Naval Services.....	1,597,407	1,702,225	1,836,488	3,013,396	3,597,591
Air Services.....	2,197,645	3,891,861	5,040,505	5,920,670	7,151,163
General Services.....	149,779	116,199	102,735	226,952	103,562
Government of N.W. Terri- tories.....	137,779	142,736	138,715	140,161	217,521
Navy and Fisheries.....	10,130,430	11,801,331	12,876,760	13,130,611	13,206,442
Pensions, War, etc.....	37,902,939	39,778,130	41,487,323	40,406,565	45,964,868
Pensions and National Health- Treatment and after care of returned soldiers.....	6,976,762	6,958,811	7,901,957	8,494,277	9,775,228
	695,219	771,435	924,003	1,021,371	943,384
Post Office.....	31,007,698	31,782,968	33,483,059	35,063,629	36,292,604
Public Works—					
Charges to Income.....	11,178,054	14,037,366	17,003,254	18,134,359	23,763,284
Charges to Collection of	918,580	942,544	939,985	924,110	936,020
Railways and Canals—					
Maritime Freight Rates Act.....		3,471,401	7,177,538	7,401,034	10,327,457
Other Charges to Income.....	1,581,688	2,366,744	1,120,376	1,279,867	1,199,560
Charges to Collection of	2,152,015	2,535,361	2,405,272	2,459,990	2,911,228
R. C. M. P. Act.....	2,097,887	2,300,439	2,600,525	2,901,817	2,957,087
Soldier and General Land Settlement Administra- tion.....	1,250,787	1,334,008	1,441,951	1,362,122	1,300,148
Trade and Commerce—					
Canada Grain Act, Exhibit	4,168,047	4,015,985	4,476,131	4,894,120	6,585,958
Bounties, Copper Bars, etc....	164,791	82,807	79,290	40,030	92,181
Mail Subsidies and Steam- ship Subventions.....	1,008,999	844,591	1,026,375	1,083,437	1,314,169
Other Expenditures.....	4,863,799	6,385,211	7,104,311	5,054,973	5,344,739
Unemployment Relief.....					4,431,655
Total Ordinary Expenditure.	319,548,173	336,167,961	350,952,924	357,779,794	393,992,377

Expenditures on Capital Account

Parliament, for the fiscal year 1930-31, appropriated the sum of \$33,484,000 for capital expenditures. In the year \$28,222,000 was actually expended on that account. These expenditures, for the purpose of convenience, may be classified under the following heads: (1) Railways, (2) Canals, (3) Public Works, and (4) Marine.

Taking first the railways: On this account over \$6,000,000 was disbursed, and of this amount \$2,500,000 was spent on the Prince Edward Island ferry and terminals, and \$4,137,000 on the Hudson Bay railway and terminals. The investment in the Hudson Bay railway and terminals at the end of the fiscal year amounted to \$43,880,000.

The expenditures on canals amounted to \$9,800,000, of which expenditures on the Welland ship canal represented \$9,600,000.

The expenditures in connection with Public Works capital account were largely those in connection with shipping, although at Ottawa \$2,500,000 was spent on the new Confederation building and the National Research Council laboratories. The expenditure in connection with the Burlington channel, lake Ontario, amounted to \$1,151,000, while over \$3,000,000 was disbursed in connection with the lower lake terminals at Prescott. Expenditures of approximately \$400,000 in each case were also made in connection with harbour improvements at the head of the great lakes and at Sorel.

Of the capital expenditures of the Marine department, it may be said that practically all were in connection with the St. Lawrence ship channel, for \$3,464,000 was spent on dredging the channel, etc., and \$400,000 in the construction of regulating and retaining dams in the St. Lawrence river below Montreal.

A summary of the capital expenditures for the past five fiscal years is:

CAPITAL EXPENDITURES, 1926-27 to 1930-31
(000 omitted)

—	1926-27	1927-28	1928-29	1929-30	1930-31 (un-revised)
	\$	\$	\$	\$	\$
Canals.....	13,846	13,763	13,164	9,324	9,846
Railways.....	2,792	3,592	6,302	6,663	6,367
Public Works.....	2,921	3,281	3,343	6,574	12,009
Total.....	19,559	20,636	22,809	22,561	28,222

Special Expenditures

The special expenditures amounted to \$12,358,000. The most important item was \$8,599,000 which represents 30 per cent reduction in soldiers' indebtedness to the Soldier Settlement Board as authorized by chapter 42, Acts 1930: \$2,067,000 represents the government's contribution to the civil service superannuation fund: \$639,000 was spent on account of railway grade crossings, and \$105,000 was the amortized discount on the loan flotation made in New York in October last. The other important item was the payment of \$500,000 for civilian war claims—in the previous fiscal year \$6,700,000 was disbursed on this account.

A summary of these expenditures compared with previous years is:

SPECIAL EXPENDITURES, 1926-27 to 1930-31
(000 omitted)

	1926-27	1927-28	1928-29	1929-30	1930-31 (un-revised)
	\$	\$	\$	\$	\$
Adjustment of war claims....	242	1,861	120	95	111
Cost of loan flotations.....	3,278	13	11	17	193
Miscellaneous charges.....	4,537	1,692	2,056	3,027	11,554
Reparations, claims for compensation.....				6,700	500
Total.....	8,057	3,566	2,187	9,839	12,358

Loans and Advances Non-active

The final group of expenditures are those which are treated as loans and advances, but, being non-interest producing, are treated as non-active, charged as expenditures of the year, and not treated as assets in establishing the net debt of the Dominion. In the year under review the amount advanced was \$5,500,000. Of this \$3,491,000 consisted of loans to the Quebec harbour commissioners, and \$1,826,000 to the Canadian Government Merchant Marine and the Canadian National (West Indies) Steamships, this being the amount required to meet their deficits.

A comparison of the loans and advances non-active for the past five years is:

LOANS AND ADVANCES (NON-ACTIVE), 1926-27 to 1930-31
(000 omitted)

	1926-27	1927-28	1928-29	1929-30	1930-31
	\$	\$	\$	\$	\$
Loans to Canadian National Harbours.....	10,000			2,933	
Loans to Canadian National Steamships.....	427	1,000	753	2,491	1,827
Loans to Quebec Harbour Commissioners.....	680	1,458	2,888	2,821	3,491
Miscellaneous non-active accounts.....	26			17	170
Accounts carried as active assets transferred to non-active.....	436	16,035	10,000		
Total.....	11,569	18,493	13,646	8,262	5,488

Summary 1930-31 Operations

Grouping the 1930-31 expenditures together, it will be observed that total expenditures amounted to \$440,060,657, as compared with \$398,442,247 in the previous year. With re-

spect to these expenditures, it may be said that for none of them is the present government responsible, with the exception of \$4,431,000 for unemployment relief, \$681,000 under governor-General's warrants (mainly for ex-soldiers' relief), \$2,000,000 for the Welland ship canal, \$288,000 for Port Arthur and Fort William harbour improvements, and a number of smaller items included in the supplementary estimates brought down at the end of March, these amounting to less than \$100,000.

It will be noted that ordinary revenues were \$44,398,879 less than ordinary expenditures, and that total revenues were \$83,844,358 less than total expenditures. It should perhaps be noted that \$8,599,385 of this deficit is brought about by the writing down of soldier land settlement loans advanced in previous years, so the balance, namely \$75,244,973, is really the amount of the deficiency for the fiscal year period. Minor adjustments have yet to be made before the accounts are officially closed, but the foregoing is anticipated to be within a few thousands of the final balances for the fiscal year 1930-31.

CAPITAL BORROWINGS

The fiscal year under review was marked by a change in circumstances in respect of the national debt. For several years there had been a surplus of revenues over expenditures which could be applied to maturing obligations. Such was not the case in the past year.

In January, 1929, the Canadian National Railways were in need of money for capital requirements and, as will be recalled, interest charges were then at abnormal heights. The government, therefore, between that date and May, 1930, advanced to the railways \$33,000,000, taking demand notes as security. In June, 1930, the Canadian National Railways carried out a borrowing operation and repaid the Dominion \$11,839,458, leaving a balance of \$21,160,542 payable to the Dominion. On July 1st, with \$5,000,000 thus received, the government repurchased \$5,000,000 at par of the 4 per cent treasury notes which were to mature on December 1st, 1930. This transaction represented a net saving of \$83,000 in interest.

Last autumn, the New York money market for railway securities was unreceptive, but, with the company reporting deficits each month and with large capital undertakings of the railway proceeding, provision had to be made for the company's financial requirements. The Dominion decided it was in the public interest to continue the providing of funds for the Canadian National and in October sold to a syndicate, headed by the Chase Securities Corporation and the Bancamerica-Blair

Corporation of New York, an issue of \$100,000,000, 4 per cent, thirty year bonds, but callable at the end of twenty years. The amount realized was \$93,646,000, or a cost of approximately 4.38 per cent. This rate is the best which has been secured by the Dominion for any long-term financing since the outbreak of the war.

The sum of \$10,000,000 was immediately advanced to the railways and before the end of December a further \$15,500,000 was loaned to the company.

Due to the fact that the requirements of the railways had made it necessary for the government to make a large public offering earlier than had been planned, the Dominion did not require to refinance immediately all of the \$45,000,000 of three-year treasury notes which matured on the 1st of December. It was found practicable to retire, permanently, the \$5,000,000 which had been purchased on the previous first of July, and a new loan was arranged with a group of Canadian banks. An issue of four per cent two-year treasury notes for \$40,000,000 was authorized; \$13,300,000 was sold on December 1st, \$10,000,000 on January 1st, and the balance, \$16,700,000, on February 15th.

INVESTMENT OF SCHOOL LANDS FUND

The transfer of the natural resources to the three prairie provinces during the past fiscal year vested the responsibility for the administration of the school land funds in the three provincial governments. The Dominion Lands Act provides that sections eleven and twenty-nine in every surveyed township in Manitoba, Saskatchewan and Alberta, shall be set aside as an endowment for purposes of education in those provinces. The act also provides that all moneys, from time to time, realized from the sale of such school lands shall be invested in securities of Canada and the interest arising therefrom, after deducting costs of management, shall be paid to the provinces towards the support of schools organized and carried on in accordance with the laws of such province.

The agreements with the provinces, as ratified at the last general session of parliament, provided that the transfer of these moneys might be either by cash or securities. The amount involved was over \$33,000,000.

Until 1917, the fund moneys were carried in the cash working accounts of the Dominion and 3 per cent interest was paid. The war had greatly altered money values, and the provinces submitted a request for a higher rate of interest. This was granted by the government of the day, on the authority of an order in

council dated June 7th directing that the moneys, then in the fund, be invested in the 5 per cent debenture issue which had been created in 1916 and which would mature on the 1st of October, 1919.

In 1919 the government, by order in council dated March 12, directed that the moneys which had accumulated in the interval be invested in the 1916-1919 debenture issue. On December 1, 1919, an executive direction was given that the moneys of the fund be invested in debenture stock to mature on October 1, 1922. The rate was again 5 per cent.

On September 25, 1922, an order in council was passed which, after reciting the December 1, 1919, order in council, continued:

In view of the approaching maturity of the said debenture stock, the minister recommends that authority be given to continue the payment of interest at the rate of five per cent per annum on school land funds held from time to time by the Minister of Finance in trust for the provinces of Manitoba, Saskatchewan and Alberta.

No further action was taken and the records do not disclose the reason. Whatever may have been the cause, the fact is that when the present administration took office the fund was in the same state as in 1922. The amount was entered annually in the public accounts as a liability of the Dominion; five per cent interest was being paid and there was no dispute as to the amount which was to be paid, but there were no certificates which could be transferred to the provinces.

The provinces were consulted to ascertain whether they desired settlement in cash, or the transfer of the fund by securities of Canada. It was agreed that, until an arrangement could be made, the Dominion would continue to pay interest at the rate of 5 per cent. Early in April last, representatives of the provinces met with the Dominion and it was arranged that a new debenture issue would be created for the amount of the capital account of the fund on the dates of the transfer of the resources to each of the provinces. This has been done, and the provinces receive certificates for the following amounts:

Manitoba.....	\$ 5,919,862 65
Saskatchewan.....	17,809,039 00
Alberta.....	9,564,569 20
	<hr/>
	\$33,293,470 85

The maturity date is July 1, 1934, and the interest is at the rate of 5 per cent, payable half-yearly on the first of July and January.

\$25,000,000 MATURITY

While the actual settling of the \$25,000,000 loan which had been obtained in New York in 1916 took place on the first day of the present fiscal year, might it be pointed out that the financial operation of last fall provided the money for that purpose. The loan was a five per cent issue, while the cost of the re-financing was at the rate of 4.38 per cent. This means a saving in the annual interest charges of \$155,000.

1931 CONVERSION LOAN

The only funded debt to be refinanced in the present fiscal year is the \$52,929,600 falling due on October 1, and the success of the conversion loan recently completed leaves less than 15 millions to be refinanced. At the present moment it would appear that this can most profitably be done by the use of treasury bills.

The debt conversion operation, which commenced on May 11, 1931, does not properly belong to a review of the financial operations of the last fiscal year, but it is a matter of general interest at the present time. The basis was: in exchange for bonds maturing in 1931, 1932, 1933 and 1934, new securities were given, bearing interest at the rate of $4\frac{1}{2}$ per cent per annum, and maturing twenty-five years after the due date of the bonds surrendered for conversion, the Dominion having the right to redeem after fifteen years. The holder was, naturally, guaranteed all the benefits, including difference in interest rate, associated with his old bond to the date of its maturity. The first offer to the public was for \$250,000,000. The success of the operation was assured at the close of business on the first day, and it became necessary to increase the amount the government was prepared to accept for conversion. The subscription books remained open until the advertised closing date, Saturday, May 23. It was a remarkable success, it being estimated that approximately 640 millions were converted. Until all adjustments are made and the overseas subscriptions actually delivered to the department, a final statement cannot be presented, but at the moment the report is:

Year of maturity	Total amount of loan	Amount surrendered for Conversion
	\$	\$
1931.....	52,929,600	38,762,500
1932.....	73,323,150	37,011,400
1933.....	446,659,950	272,989,100
1934.....	511,910,650	278,703,500
	1,084,823,350	627,466,500
Not yet distributed as to maturity.....		12,350,000
		639,816,500

The Dominion sponsored the conversion operation and paid a commission of one-half of one per cent, except on conversions of bonds maturing on October 1st, 1931. No commission was paid to any one for the \$38,000,000 of bonds of this issue which were surrendered for conversion.

RAILWAYS, STEAMSHIPS, AND HARBOUR COMMISSIONS

The financial provision which it was necessary to make in the fiscal year for the Canadian National Railways and Steamships, and the various harour commissions, reached important dimensions. So far as capital expenditures are concerned, they represent the carrying out of the extensive programs of construction approved by parliament in previous sessions, and where payments have been required for operating deficits, the amounts naturally reflect the unfavourable business situation.

Canadian National Railways

The accounts of the Canadian National Railways for 1930 have been presented to the house. The company failed to earn its fixed charges to the public by \$29,219,738. This figure is exclusive of the operations of the eastern lines and of the accruing interest on the cash advances of \$604,000,000 which the government has made to the company in previous years.

The deficit on the system, exclusive of eastern lines, was financed by the company and is not reflected in the government accounts for this year.

The general budget of the railways for 1930, which included provision for deficit, general additions and betterments and miscellaneous debt retirements, amounted to \$63,010,400.85, of which \$51,600,000 was authorized at the 1930 session and the balance, \$11,410,400.85 was passed at the present session as a supplementary provision to cover over-expenditure due to the unanticipated falling-off in receipts. In respect of these requirements, guaranteed bonds to the amount of \$51,600,000 were issued and the sum of \$11,410,000.85 has been financed temporarily by a bank loan.

The expenditures just referred to do not include those incurred on branch lines and terminals authorized by special statutes. For these purposes the actual expenditures in 1930 amounted to \$21,112,073, financed from the proceeds of guaranteed bonds. The total amount of bonds issued in the past fiscal year for these purposes was \$32,577,779, a substantial amount having been provided for expenditures on these accounts in 1931.

For the purposes mentioned above and to refund certain maturing and temporary loans, the company issued \$120,000,000 of securities in the period of our fiscal year to which the guarantee of the government, in accordance with the authorization of parliament, was given. An issue of \$50,000,000 4½ per cent 25-year bonds was sold in June, 1930, and an issue of \$70,000,000 4½ per cent 25-year bonds was sold in February, 1931.

The following statement summarizes the purposes for which these issues were made and the total amount of securities issued in each case:

CANADIAN NATIONAL RAILWAY COMPANY—GUARANTEED
BOND ISSUES, 1930-31

Authority	—	Securities issued
	\$	\$
Railway loan appropriation, 1930 budget.....		51,600,000 00
Special Projects—		
Branch lines construction:		
Special acts, 1927-30 program.....	226,166 83	
Special acts, 1929-32 program.....	13,524,749 04	
Toronto Terminals Railway Act.....	3,650,000 00	
Canadian National Montreal Terminals Act....	12,300,000 00	
Northern Alberta Railways Act.....	1,589,904 62	
St. John & Quebec Railway acquisition.....	1,286,959 00	
		32,577,779 49
Refunding—		
Temporary loan, railway loan appropriation, 1929 budget.....	7,171,181 67	
Canadian National (Central Vermont) Financing Act, 1930.....	8,609,000 00	
Canadian National Refunding Act, 1930.....	20,042,038 84	
		35,822,220 51
		120,000,000 00

As in former years the company financed the purchase of new equipment to the extent of seventy-five per cent of the cost thereof, by the sale of equipment trust certificates not guaranteed by the Dominion government. An issue, authorized in June, 1930, of \$15,750,000 4½ per cent certificates was made for this purpose.

Canadian National Steamships

The operating loss on the Canadian Government Merchant Marine, Ltd., 1930, involved a cash payment by the government of \$834,210.89. We were also called upon to advance \$992,730.62 to the Canadian National (West Indies) Steamships, Ltd., this amount being the cash deficit resulting from the 1930 operations of the company after absorbing the contributions made by the colonies under the West Indies trade agreement towards the cost of the service. The sum advanced does not, however, represent the whole cost of this service which,

including depreciation, amounted to \$1,362,655 in 1930. The operation of these two organizations in 1930 resulted in a charge of \$1,826,941.51 on the government accounts for the year.

Harbour Commissions

Advances to harbour commissions on capital account for the development of port and terminal facilities, totalled \$15,606,-600. The following statement shows the amount advanced in 1930-31 to each of the commissions:

	Advances, 1930-31
Chicoutimi.....	\$ 846,000 00
Halifax.....	3,539,000 00
Montreal.....	2,291,000 00
Quebec.....	3,491,000 00
St. John.....	1,094,000 00
Three Rivers.....	1,543,600 00
Vancouver.....	2,802,000 00
	<hr/>
	\$15,606,600 00

In July, 1930, the sale was made of a further \$500,000 5 per cent guaranteed bonds of the harbour commissioners of Montreal for purposes of the Montreal harbour bridge, bringing the outstanding debt for that project to \$19,000,000. The revenues of the bridge in 1930 were not adequate to meet the interest charges and, consequently, on November 1, 1930, the government was called upon to implement its guarantee to the extent of providing \$170,000.

CANADIAN FARM LOAN BOARD

During the year, the government advanced \$2,600,000 to the Canadian Farm Loan Board, being the balance of the \$5,000,000 initial capital which the act provided that the government should supply for the operations of the board. Subscriptions to capital stock of the board under the terms of the scheme, involved a further payment of \$199,839. Apart from the initial capital subscribed by the Dominion government and capital stock subscriptions made by the Dominion and provincial governments and the borrowers, respectively, the board is to be financed by the issue of farm loan bonds to be sold either to the public or to the Minister of Finance. In view of the difficulties at the moment of securing a favourable market reception for farm loan securities, the government has undertaken to purchase on a 5 per cent basis farm loan bonds to finance the 1931 operations of the board. The amount of bonds purchased prior to the end of the fiscal year was \$300,000, bringing the total capital furnished by the government to the board in the year, to \$3,099,839.

Condensed Cash Statement, 1930-31

The transactions involved in the year's operations are now summarized in the condensed cash statement which follows:

CONDENSED CASH STATEMENT, DOMINION GOVERNMENT,
1930-31

Receipts—

Cash balances in banks, March 31, 1930.....	\$ 27,991,597 06	
Loans and advances repaid:		
Canadian National Railways temporary loan.....	\$ 21,060,541 78	
Provincial Housing Loans.....	639,515 00	
Government of Greece.....	225,000 00	
Soldier Settlement Loans.....	285,904 06	
		22,210,960 84
Loan Accounts Receipts:		
4 per cent 1930-60 New York Loan proceeds.....	93,646,000 00	
School Lands Debenture Stock.....	509,000 00	
		94,155,000 00
Annuities, Insurance and Superannuation Funds—not accretion.....	9,835,077 39	
Miscellaneous Accounts.....	533,639 93	
Revenues for year 1930-31.....	356,216,299 00	
		<u>\$510,942,574 22</u>

Payments—

Reduction in Liabilities:		
Post Office Savings Bank withdrawals \$	1,335,809 06	
Post Office Money Orders, etc., redeemed.....	956,419 94	
4 per cent Treasury Notes redeemed..	5,000,000 00	
Bonds and Stocks acquired for sinking funds.....	3,673,666 19	
Overdue bonds and stocks redeemed..	203,874 50	
Overdue coupons redeemed.....	425,395 16	
		\$ 11,595,164 85
Payments on Active Asset Accounts:		
Bonds acquired and held.....	1,034,805 56	
Loans to Harbour Commissioners....	12,115,600 00	
Loans to Canadian Farm Loan Board..	3,099,839 00	
Bullion and Specie, increase in surplus held.....	5,090,776 58	
Ottawa Mint Bullion advance account..	1,947,206 82	
		23,288,227 96
Expenditures 1930-31, exclusive of \$3,599,385 Soldier Settlement Loans written off.....	431,461,272 00	
Cash balances in banks, March 31, 1931.....	44,597,909 41	
		<u>\$510,942,574 22</u>

BALANCE SHEET

The assets and liabilities of the Dominion are set out in the balance sheet published in the public accounts: active assets comprising cash balances and specie accounts; loans and advances that are realizable or income-producing, and other miscellaneous accounts. These assets are taken as an offset against the gross liabilities of the Dominion in arriving at the net debt. The balance sheet also sets out non-active assets that are not considered as an offset against the gross liabilities, as they represent loans and advances that are neither realizable nor income-producing and the large capital expenditures made

on government-owned properties. Taking first the active assets, the statement is, and I think the house will be somewhat interested in this statement of our assets that are regarded as having value:—

ACTIVE ASSETS ON MARCH 31, 1931

Cash balances in banks.....		\$ 44,597,909 41
Specie Reserve.....	\$ 81,457,889 05	
Advances to Banks under Finance Act.....	6,500,000 00	
		87,957,889 05
Loans to Provinces for Housing.....		10,671,687 72
Loans to Foreign Governments:		
Greece.....	6,640,000 00	
Roumania.....	23,969,720 00	
		30,609,720 00
Loans to Harbour Commissioners:		
Chicoutimi.....	2,161,000 00	
Halifax.....	4,841,000 00	
Montreal.....	55,977,000 00	
St. John.....	3,407,000 00	
Vancouver.....	20,607,900 00	
Three Rivers.....	1,679,600 00	
		88,673,500 00
Canadian Farm Loan Board.....		5,608,862 00
Soldier and General Land Settlement.....		48,150,885 44
Seed Grain and Relief Advances.....		2,426,508 29
Advances for Working Capital and Miscellaneous—		
Advances to Royal Mint.....	\$ 4,221,401 34	
Canadian Government Railways, Open and Stores Accounts.....	15,748,921 60	
Miscellaneous Advances, etc.....	4,265,215 87	
Unamortized discount on 4 per cent loan, 1930/60.....	6,248,100 00	
		\$ 30,483,638 81
		<u>\$349,180,600 72</u>

I shall now make, as I think it is desirable, a short statement with respect to each of these items of active assets that I have just placed on Hansard.

Cash Balance in Banks

Cash balance in banks, \$44,500,000 is the amount of cash at the credit of the Receiver General in the several banks at the close of the fiscal year. Of the amount \$25,000,000 was paid out on April 1, 1931, to retire the 5 per cent Public Service Loan which matured in New York on that date.

Specie Reserve

Specie Reserve is the gold held by the Department of Finance as security for Dominion Notes in circulation and Post Office Savings Bank deposits. At the end of the year this amounted to \$81,000,000, an increase of \$15,000,000 for the year.

Advances to Banks Under the Finance Act

Advances to banks under the Finance Act, amounting to \$6,500,000, are made by issue of Dominion Notes against approved securities deposited by the banks with the department as collateral.

Loans to Provinces for Erection of Houses

Under authority of appropriations granted in 1919 and 1920 advances were made to the provincial governments to encourage the erection of dwelling houses throughout Canada. The loans were repayable within twenty years and carried interest at the rate of five per cent per annum. Advances to the amount of \$23,500,000 were made. Repayments received have reduced this to \$10,600,000 on March 31, 1931, made up as follows:

British Columbia.....	\$ 1,701,500
Manitoba.....	1,475,000
New Brunswick.....	1,057,000
Nova Scotia.....	1,017,000
Prince Edward Island.....	36,500
Quebec.....	5,384,688
	<hr/>
	\$ 10,671,688

Loans to Foreign Governments

Following the termination of the Great War, the Dominion government made available to certain foreign governments credits for the purchase of Canadian products. A number of the countries that took advantage of these credits have already repaid the amounts advanced. There is still \$6,600,000 owing by the government of Greece, and \$23,900,000 by the government of Roumania. Arrangements were made with the government of Greece in 1924 which provided for semi-annual payments on account of principal so that the debt will be retired by 1948. Interest at 5 per cent and redemption payments have been made when due.

The Roumanian debt was funded in 1922 on a 4 per cent basis, and since then interest has been paid regularly. These bonds mature on April 1, 1968, and a provision is made for a sinking fund to redeem them on or before the due date.

Loans to Harbour Commissioners

Prior to 1921 the policy had been to provide for necessary harbour improvements by direct government expenditures, except at the ports of Montreal and Quebec to which the funds required were loaned by the government. In 1921 the Harbour Commission of Vancouver was added to those receiving aid by way of loans. Harbour commissions at Chicoutimi, Halifax, St. John and Three Rivers have since been added to the list. The amount which had been so loaned is carried as an active asset, and reached the figure of \$88,600,000 on March 31, 1931. This is exclusive of advance to the Quebec Harbour Commission which is carried as a non-active asset.

Canadian Farm Loan Board

The financial requirements of the Canadian Farm Loan Board have been met from the federal treasury and the board has, so far received \$5,600,000. This is made up of \$5,050,000 of initial capital and advances; \$250,000 in subscriptions to capital stock, and \$300,000 in purchase of farm loan bonds.

Soldier and General Land Settlement

The Soldier Land Settlement Act of 1919 provided for the granting of financial assistance by way of loans to returned soldiers who were desirous of settling on the land. Up to the 31st of March, 1931, loans to the amount of \$116,500,000 were granted, against which \$32,800,000 has been realized. As the major portion of the advances was made at a period of inflated values it became necessary to afford measures of relief. Accordingly in 1925, 1927 and 1930 the Soldier Land Settlement Act was amended to provide for reduction in the amounts of loans outstanding to settlers. As a result of these amendments \$18,900,000 has been written off to Consolidated Fund.

Substantial losses have been experienced in resale of farms, stock and equipment that reverted to the board. To provide for these losses \$16,600,000 has been transferred to non-active assets. There is left \$48,200,000 as an active asset out of a net capital investment of \$83,700,000.

Seed Grain and Relief Advances

Advances for seed grain and relief have been made from time to time to needy settlers in western Canada. These advances are repayable with interest, and, on March 31, 1931, \$2,400,000 was carried in the account as realizable and this amount only is being carried as an active asset.

Advances for Working Capital and Miscellaneous.

The remaining assets carried as active total \$30,400,000 under the general heading of advances for working capital and miscellaneous. The chief items under this category are amounts advanced to the Ottawa Mint for purchase of precious metals, the stores and open accounts of the Canadian Government Railways (now entrusted to the Canadian National Railways for operation) and the unamortized discount on the 4 per cent 1930-60 loan sold at a substantial discount, which will be absorbed over the life of the loan by annual charges to income.

LIABILITIES

The liabilities of the Dominion as of March 31, 1931, may be summarized as follows:

LIABILITIES OF DOMINION ON MARCH 31, 1931

Dominion Notes Outstanding.....	\$141,066,256	69
Bank Circulation Redemption Fund.....	6,788,162	46
Insurance and Superannuation Funds:		
Government Annuities.....	\$ 23,306,954	65
Insurance Fund, Civil Service.....	6,373,647	19
Insurance Fund Returned Soldiers.....	9,249,236	10
Retirement Fund.....	6,271,610	87
Superannuation Funds.....	35,056,489	12
		80,257,937 93
Trust Funds:		
Indian Funds.....	\$ 13,764,581	06
Common School Funds.....	2,668,449	17
Contractors' Securities Deposits.....	1,712,817	35
Other Trust Funds.....	2,473,324	90
		20,619,172 48
Contingent and Special Funds.....		1,285,406 40
Post Office Money Orders, Postal Notes, etc., outstanding.		4,135,347 92
Province Accounts.....		9,623,816 77
Post Office Savings Bank deposits.....		24,750,226 97
Funded Debt—Unmatured.....	\$2,319,279,007	20
Matured but not presented for payment.....	555,882	04
		2,319,834,889 24
Interest coupons matured but not presented for payment...		2,427,700 58
Total liabilities.....	\$2,610,788,917	44

It may be well to make a brief explanation of these items. I may say, Mr. Speaker, that part of this labour is taken because this is a new parliament and there are a large number of young members who seem to take considerable interest in the financial structure of the country. Therefore I thought it desirable that they might have this record of the position as it existed on the 31st March, 1931. Although this has involved a very considerable amount of labour, I think they will regard the information thus afforded as being of value to them when they are considering the public questions of the country.

Dominion Notes Outstanding

At the close of the fiscal year, Dominion notes in circulation amounted to \$141,000,000. This is a reduction of \$33,000,000 in the amount of notes outstanding at the commencement of the year. The decrease is more than accounted for by the reduced demands of the banks for notes under the Finance Act, which dropped from \$50,200,000 at the commencement of the year to \$6,500,000 on March 31, 1931. During the same period, the gold held as security for the redemption of the notes increased from \$63,000,000 to \$80,000,000, so that, while on March 31, 1930, gold reserves represented 36·30 per cent of the total notes in circulation, this percentage was increased to 56·90 per cent on March 31, 1931.

Trust and Special Funds

Each year the Dominion government derives substantial receipts from trust and special funds. These funds are not earmarked in any way, but are deposited in the general cash fund and are used to meet the current financial requirements of the government. These deposits create a liability which the government will be required to meet by future disbursements. During the past year the treasury received a net amount of \$10,000,000 from these sources. The amounts standing at the credit of these accounts on March 31, 1931, were:

Bank Circulation Redemption Fund.....	\$ 6,788,000
Government Annuities, Insurance and Superannuation Funds...	80,257,000
Trust Funds.....	20,619,000
Contingent and Special funds.....	1,285,000
Post Office, Money Orders, Postal Notes, etc., outstanding....	4,135,000
	<hr/>
	\$113,084,000

Province Accounts

In the Dominion books, a liability of \$9,623,000 is carried representing the capital debt assumed by the Dominion when the provinces entered confederation in respect of the assets taken over. The obligation is discharged by annual interest payments forming part of the subsidies.

Post Office Savings Bank Deposits

Deposits in the post office savings banks have continued to decrease. The reduction for the year amounted to \$1,300,000, leaving deposits of \$24,750,000 on March 31, 1931.

Matured Funded Debt and Interest Unpaid

As at March 31st, our accounts carried as a liability \$555,000 for unrepresented matured bonds and \$2,400,000 for matured coupons outstanding.

Unmatured Funded Debt

The unmatured funded debt on March 31, 1930, was \$2,319,000,000. This shows an increase of \$92,000,000 compared with the debt on March 31, 1930, but in the issue that was floated in New York last October, provision was made for the retirement of the \$25,000,000, 5 per cent public service loan which matured on April 1, 1931, after the end of the fiscal year. When allowance is made for this retirement, the increase is reduced to \$67,000,000.

Sinking Fund

Provision is made for a sinking fund contribution of one-half of 1 per cent per annum on \$254,000,000 of sterling debt payable in London.

The annual contribution of \$1,272,263.57, together with the interest derived from the bonds and stocks held, are invested

each year by the Bank of Montreal, London, acting as fiscal agent for the government. There is no sinking fund provision for the remaining \$57,215,000 of sterling debt outstanding. The total investments on account of sinking funds on March 31, 1931, was \$59,700,000, of which \$3,670,000 was purchased during last year.

After the three 5 per cent domestic war loans were issued in the years 1915 to 1917, a sinking fund of one-half of 1 per cent per annum was authorized by the governor-in-council. Certain investments were made on account of this sinking fund but purchases were discontinued when the bonds sold above par. No sinking fund provision has been made for the remaining domestic issues nor for the issues made in New York.

A statement showing the unmatured funded debt and the annual interest charges thereon follows:

UNMATURED FUNDED DEBT OF DOMINION AT MARCH 31, 1931,
AND ANNUAL INTEREST CHARGES THEREON

Date of Maturity	Name of Loan	Rate	Where Payable	Amount of Loan	Amount Interest Charges
		%		\$ cts.	\$ cts.
1931—April 1	Public Service Loan 1916.	†5	New York..	25,000,000 00	1,250,000 00
Oct. 1	War Loan 1916-31.	†5	Canada.....	52,929,600 00	2,646,480 00
1932—Nov. 1	Renewal Loan 1922.	5½	Canada.....	73,323,150 00	4,032,773 25
Dec. 1	Two Year Notes.	4	Canada and New York	40,000,000 00	1,600,000 00
1933—Nov. 1	Victory Loan 1918.	†5½	Canada.....	446,659,950 00	24,566,297 25
1934—June 1	Loan of 1884..	3½	London.....	23,467,206 27	821,352 22
Nov. 1	Victory Loan 1919.	5½	Canada.....	511,910,650 00	28,155,085 75
1935—Aug. 1	Bond Loan 1915-35.	†5	Canada and New York	874,000 00	43,700 00
1936—Feb. 1	Loan of 1926-36.	4½	New York..	40,000,000 00	1,800,000 00
1937—Mar. 1	War Loan 1917-37.	†5	Canada and New York	90,166,900 00	4,508,345 00
Dec. 1	Victory Loan 1917.	†5½	Canada.....	236,299,800 00	12,996,489 00
1938—July 1	Loan of 1888..	3	London.....	8,071,230 16	242,136 90
July 1	Loan of 1892..	3	London.....	18,250,000 00	547,500 00
July 1	Loan of 1894..	3	London.....	10,950,000 00	328,500 00
July 1	C.P.R. Loan..	3½	London.....	15,056,066 66	526,960 23
1940—Sept. 1	Refunding Loan 1925.	4½	Canada.....	75,000,000 00	3,375,000 00
1943—Oct. 15	Refunding Loan 1923.	5	Canada.....	147,000,100 00	7,350,005 00
1944—Oct. 15	Refunding Loan 1924.	4½	Canada.....	50,000,000 00	2,250,000 00
1946—Feb. 1	Refunding Loan 1926.	4½	Canada.....	45,000,000 00	2,025,000 00
1947—Oct. 1	Loan of 1897..	2½	London.....	4,888,185 64	122,204 64
1950—July 1	Loan of 1930-50.	3½	London.....	137,058,841 00	4,797,059 43
1952—May 1	Loan of 1942-52.	5	New York..	100,000,000 00	5,000,000 00
1960—Oct. 1	Loan of 1940-60.	4	London.....	93,926,666 66	3,757,066 67
Oct. 1	Loan of 1930-60.	4	New York..	100,000,000 00	4,000,000 00
Demand.....	Debenture Stock	5	Canada.....	33,129,000 00	1,656,450 00
	School Lands			2,378,961,286 39	118,398,405 34

†Tax Free.

	\$	cts.
Payable in Canada.....	\$ 1,671,252,250	00
Payable in Canada and New York.....	131,040,900	00
Payable in New York.....	265,000,000	00
Payable in London.....	311,668,136	39
	<u>\$ 2,378,961,286</u>	<u>39</u>
Less Bonds and Stocks of the above Loans held as Sinking Funds.....	59,764,439	01
	<u>\$ 2,319,196,847</u>	<u>38</u>

Of the funded debt 13·10 per cent is payable in London; 11·14 per cent in New York; 5·51 per cent in either New York or Canada, and 70·25 per cent in Canada. The following summary sets out the amount of debt outstanding at the different interest rates:

\$ 4,888,185 64 at 2½%.....	\$ 122,204 64
37,271,230 16 at 3%.....	1,118,136 90
175,582,053 93 at 3½%.....	6,145,371 89
233,926,666 66 at 4%.....	9,357,066 66
210,000,000 00 at 4½%.....	9,450,000 00
449,099,600 00 at 5%.....	22,454,980 00
1,268,193,550 00 at 5½%.....	69,750,645 25
<u>\$ 2,378,961,286 39</u>	<u>\$ 118,398,405 34</u>

NON-ACTIVE ASSETS

The gross liabilities of the Dominion on March 31, 1931, were \$2,610,700,000 as against which there were active assets of \$349,180,000, to which reference has been made. The difference \$2,261,600,000, commonly referred to as the net debt, but which is really the net debit balance in the accounts, is briefly accounted for under three heads.

First, there are loans and advances made for various enterprises which are not presently realizable, yield no direct return to the treasury, and in the presentation of the accounts are treated as losses. These total \$673,000,000, the chief of which are \$614,000,000 to the Canadian National Railways, \$15,500,000 to the Canadian National Steamships, \$24,400,000 to the Quebec harbour commission and \$16,600,000 soldier land settlement loans.

The second division is comprised of the aggregate of capital expenditures made on canals, railways, public buildings and harbour and river improvements, which total \$927,300,000. Another item of \$88,000,000 is shown as "Railway Accounts (Old)," which refers to railway capital expenditures made in the early history of the country, the fruits of which were by legislation transferred to certain railway companies, hon. members will recall the transaction with respect to them during the Grand Trunk arbitration.

Then there is the balance of \$572,500,000 at debit of consolidated fund on March 31, 1931. This is the accumulated

deficits since the commencement of the accounts, or since confederation. All expenditures arising out of the world war have been absorbed in this balance. A tabulation of the non-active assets follows:

NON-ACTIVE ASSETS ON MARCH 31, 1931		
Canadian National Railways.....	\$ 614,406,239	42
Canadian National Steamships.....	15,550,748	55
Harbour Commissioners:		
Quebec.....	\$ 24,429,995	68
Montreal and Three Rivers.....	251,760	97
	24,681,756	65
Seed Grain and Relief Advances.....	1,128,829	50
Soldier and General Land Settlement.....	16,648,957	95
Miscellaneous Advances, etc.....	995,678	82
Capital Accounts:		
Canals.....	\$ 233,782,788	90
Railways.....	435,687,262	93
Public Buildings, Harbour and River		
Improvements.....	235,898,706	71
Military Property and Stores.....	12,035,420	50
Territorial Accounts.....	9,895,947	68
	927,300,126	72
Railway Accounts (old).....	88,398,828	78
Consolidated Fund, balance at debit of, March 31, 1931...	572,497,150	33
Net Debt March 31, 1931.....	\$ 2,261,608,316	72

INDIRECT OBLIGATIONS OF THE DOMINION

Hon. members will recall I spoke of obligations direct and indirect. Having dealt with the balance-sheet position of the Dominion, its direct liabilities and the liquid and income-producing assets offsetting these in part, there remain for consideration the contingent or indirect liabilities. As at March 31, 1931, these indirect liabilities, as represented by securities guaranteed by the Dominion outstanding in the hands of the public, amounted to \$954,892,779. If to this figure there be added that part of the funded debt of the Canadian National Railways which does not bear a Dominion government guarantee, a total of \$1,268,748,433 is reached, accounted for as follows:—

SECURITIES GUARANTEED BY THE DOMINION GOVERNMENT:		
Harbour Commissions—		
Montreal Harbour Bridge.....	\$ 19,000,000	
New Westminster Elevator.....	700,000	
St. John Harbour Improvements.....	2,135,118	
	\$ 21,835,118	
Canadian National (West Indies) Steamships.....	9,400,000	
Canadian National Railways.....	923,657,661	
Total Securities guaranteed by Dominion.....	\$ 954,892,779	
Canadian National Railway Debt not guaranteed by Dominion:		
—but for which of course we are liable—otherwise the property would cease to function—		
Guaranteed by provinces.....	72,184,488	
Unguaranteed debt—		
Perpetual debenture stock.....	63,240,571	
Mortgage bonds and debenture stock.....	88,608,374	
Other miscellaneous indebtedness.....	7,480,621	
Equipment trust notes and certificates.....	82,341,600	
Total, of which \$1,237,513,315 is Canadian National debt to the public.....	\$ 1,268,748,433	

The operation of the Canadian National Railways as an amalgamated unit dates from 1923. In January of that year, the former administration, by order in council, declared the preference and common stock of the Grand Trunk Railway Company of Canada to be the property of the Minister of Finance in trust for His Majesty and thereupon the amalgamation of the Grand Trunk with the Canadian National took place. It may be well for us to examine briefly the results of these eight years of operation, having regard particularly to their association with and reflex upon the Dominion's financial position.

The period has been one in which a large sum of money has been made available to the System for capital investment, and there has been a corresponding increase in the debt of the company. In eight years some 400 millions of dollars have been added to the Canadian National Railways investment account for the construction and acquisition of lines, for terminals, hotels, new equipment, etc. This increase in debt has resulted in an addition to the annual interest charges on the system of almost 20 millions of dollars or about 55 per cent, so that when we consider the result of operations over the period, we must have in mind, on the one hand, the advantages expected to accrue from the assumption of a heavy additional obligation and, as an offsetting factor, the annual carrying charges resulting therefrom.

The balance sheet of the Canadian National Railways, through the profit and loss account indicates a loss in the eight-year period of 346 millions of dollars. The first and largest item making up this loss consists of 253 millions of dollars charged in the railway accounts—but not paid—as interest on the sum of 604 millions of dollars of direct assistance by way of cash loans which the government has given to the company. As between the government and the system, this is only a bookkeeping item. The actual burden of this liability was taken over by the Dominion and has been carried by the tax-payers of the country.

The balance of the loss, totalling \$93,000,000, is made up of \$86,000,000, being the actual deficiency of earnings in the eight-year period after charging interest due the public, but leaving aside the interest due the government, and \$7,000,000 representing the net debit of adjustments through profit and loss account. These figures leave out of consideration the operations of the eastern lines since the passing of the Maritime Freight Rates Act in July, 1927, from which date the government has contributed directly to operating losses on these lines, apart from the 20 per cent reduction in tolls, the sum of \$17,500,000.

The situation, therefore, is that since 1923 an additional capital liability of 400 millions of dollars has been assumed in respect of the railways, involving an increase in the annual interest charge of 20 millions of dollars. The system has failed to earn its interest charges during the period by the round sum of 86 millions, and the government has itself borne the carrying charges in respect of 604 millions of dollars contributed direct to the system, as well as, since 1927, operating losses of \$17,500,000 on eastern lines.

It is well known and fully realized that the difficulties of transportation systems are not unique to Canada or to the Canadian-owned system. To realize that in 1930 the gross revenues of the system were less than in the year 1923, notwithstanding the addition of 400 millions of dollars to the investment in the property, serves only to impress the seriousness of the problem.

The following is a statement of these indirect obligations:

BONDS GUARANTEED BY DOMINION GOVERNMENT AS AT
MARCH 31, 1931

Date of Maturity	Issue	Interest Rate		
		%	\$	cts.
Sept. 1, 1934.....	Canadian Northern.....	4	17,060,333	33
Feb. 15, 1935.....	Canadian Northern.....	4½	17,000,000	00
Sept. 1, 1936.....	Grand Trunk.....	6	25,000,000	00
Oct. 1, 1940.....	Grand Trunk.....	7	24,743,000	00
Dec. 1, 1940.....	Canadian Northern.....	7	24,793,000	00
July 1, 1946.....	Canadian Northern.....	6½	25,000,000	00
April 1, 1948.....	New Westminster Harbour Comm.....	4¾	700,000	00
Aug. 1, 1952.....	St. John Harbour Comm.....	5	667,953	04
July 10, 1953.....	Canadian Northern.....	3	9,359,996	72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000	00
Sept. 15, 1954.....	Canadian National.....	4½	26,000,000	00
Mar. 1, 1955.....	Canadian National (West Indies) Steamships.....	5	9,400,000	00
June 15, 1955.....	Canadian National.....	4¾	50,000,000	00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000	00
July 1, 1957.....	Canadian National.....	4½	65,000,000	00
July 20, 1958.....	Canadian Northern.....	3½	7,896,564	81
May 4, 1960.....	Can. Nor. Alberta.....	3½	3,149,998	66
May 19, 1961.....	Can. Nor. Ontario.....	3½	34,229,996	87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000	00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848	00
Dec. 1, 1968.....	Canadian National.....	4½	35,000,000	00
July 1, 1969.....	Canadian National.....	5	60,000,000	00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000	00
Nov. 1, 1969.....	Harbour Comm. of Montreal.....	5	19,000,000	00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000	00
By tenders or drawings.....	Canadian National.....	2	30,534,780	67
Various dates, 1932-54.....	City of Saint John Debs. assumed by Saint John Harbour Commissioners.....	various	1,467,164	96
Serial— Feb. and Aug. 1, 1931-38.....	Canadian National Equipment "G".....	5	11,250,000	00
Perpetual.....	Grand Trunk Guaranteed Stock.....	4	60,833,333	33
".....	Grand Trunk Debenture Stock.....	5	20,782,491	67
".....	Great Western Debenture Stock.....	5	13,252,322	67
".....	Grand Trunk Debenture Stock.....	4	119,839,014	33
".....	Northern Ry. of Canada Debenture Stock.....	4	1,499,979	67
			954,892,778	73

Now, Mr. Speaker, at this point I should like to point out that there is a tendency on the part of the press supporting hon. gentleman opposite to allege that the government is opposed to the Canadian National Railways. May I venture to declare that no man is a good Canadian who does not take time to study and realize the extent of the obligations which are being laid upon this country by this parliament. The Canadian National Railways' management cannot be charged with responsibility for this. The Canadian National Railways Act provides that the governor in council takes the position of shareholders under the Railway Act, and when I point out the sums that have been expended and the obligations that have been created during the last eight years, I do so because it has been done at the initiation of the government which is now the official opposition. Bear that in mind. I do think there is a failure on the part of the Canadian people to understand and appreciate the extent and character of the obligations which have thus been placed upon them. You have \$86,000,000 of a deficit in interest earning power in the last eight years, in addition to which the people of this country paid interest on \$604,000,000 advanced for the running of the enterprise.

Now, I submit, sir, I would be derelict in my duty, and I believe any hon. member would be derelict in his duty, if he did not analyze and ponder these matters. And the blame must rest with the government of the day for the management of railway companies are always prone to submit requests for larger sums than they expect to get. Yet so far as I have been able to ascertain, not one single capital request made by the management of the Canadian National Railways during the last eight years was refused by the late government—not one. Is that so in any privately owned road? Go through the requisitions made on the Canadian Pacific Railway or on the Union Pacific, the Southern Pacific or the Santa Fé, and you will not find that state of affairs existing. Yet the late government, for reasons best known to themselves, have put the country in the position that I have just pointed out. And I do suggest that there is no business of the nation which should so concern hon. members—who represent the shareholders in a larger way than does the governor in council—as that resulting in figures to which I have just directed their attention. I certainly think, and this government certainly thinks, it is most unfair and unjust, and, what is more, inimical to the well-being of the enterprise itself, to say that because you direct attention to those figures and the effect of them that therefore

you are an enemy of the enterprise. The best friend any business enterprise has is that shareholder who carefully scrutinizes the expenditures made by the directors during the year.

TRADE

Canada at the close of the year 1930 again ranked fifth among the nations in the volume of international trade. There were substantial decreases in the dollar value of trade, as compared with the year before, but were a graph made by use of quantities it would present a jagged picture. The fiscal year 1929-30 closed with an unfavourable balance of visible trade amounting to 103 millions. In the year under review the unfavourable balance was 89 millions.

The United States was the principal customer of Canada during the year, taking $44\frac{1}{2}$ per cent of our exports and in turn Canada purchased over 64 per cent of its imports from the United States. In dollars, imports from the United States amounted to 584 millions, and the exports 364 millions. This left an unfavourable balance in the trade with the United States of 220 millions. In the preceding year imports had amounted to 847 millions and exports to 536 millions.

Trade with British Empire

Trade with the British Empire was unevenly affected during the year. On the import side, while there was a decrease from 252 millions to 204 millions, this decrease was largely in the imports from two countries—the United Kingdom and New Zealand. There was a 40 million dollar decrease in imports from the United Kingdom, \$3,000,000 being in iron products, 8 millions in alcoholic beverages and 19 millions in textiles. The balance was spread throughout a wide list of articles. From New Zealand the decline was in imports of butter which decreased \$9,700,000.

The exports to the British Empire amounted to 295 millions, a decrease of 86 millions from the year before. The countries to which exports fell off the most were: United Kingdom (62 millions), Australia (9.6 millions), New Zealand (6.4 millions), West Indies (3 millions), and Newfoundland (1.5 millions). Naturally, the greatest falling off in exports to the United Kingdom consisted of foodstuffs. The decrease in exports of grains amounted to 41 millions, in meats to \$3,900,000, in milk products to \$4,400,000, in paper to \$2,300,000, and in iron and its products to \$2,800,000. The principal decreases in exports to other parts of the British Empire were in food commodities such as flour, paper and wood products, automobiles, farm implements, etc.

The trade of Canada in the fiscal year, when calculated by means of percentage, was divided as follows:

	Imports %	Exports %
With—		
British Empire.....	22.6	36.1
United States.....	64.4	44.5
Treaty countries.....	9.2	14.1
Other countries.....	3.8	5.3
	100.0	100.0

Imports of Commodities

Ten product groups make up in value the major part of the imports into Canada and a comparison over the last five year period emphasizes the material reductions which took place.

CHIEF IMPORTS INTO CANADA

Group	1927	1928	1929	1930	1931
	(in millions)				
Sugar and products.....	40.4	38.8	31.7	27.9	25.1
Alcoholic beverages.....	29.3	45.9	48.8	45.0	35.4
Cotton and products.....	54.1	58.2	63.2	54.0	35.2
Wool products.....	50.5	48.8	54.4	46.6	33.6
Textile products, other.....	78.9	79.8	88.7	84.5	61.8
Iron products.....	229.4	259.5	346.6	316.8	194.9
Non-ferrous metal products.....	52.7	60.1	75.4	87.9	59.6
Coal and products.....	68.6	64.8	63.1	64.1	58.1
Petroleum.....	54.4	53.5	64.0	78.7	62.7
Chemicals.....	31.8	33.5	37.7	39.9	35.6

Exports of Commodities

A study of the exports shows every activity to have been touched by the decline in values—the products of the farm, the mine, the forest, the sea and the factory. Again summarizing under ten groups, the record of the past five years shows:

CHIEF EXPORTS FROM CANADA

Group	1927	1928	1929	1930	1931
	(in millions)				
Grains.....	394.4	391.6	476.1	232.7	180.8
Flour.....	68.7	59.8	65.1	45.4	32.8
Milk and products.....	41.6	34.0	35.7	27.4	18.7
Lumber, logs, etc.....	107.8	99.3	91.6	89.7	60.7
Paper.....	123.2	134.9	148.3	151.5	131.9
Fish.....	34.5	33.5	34.9	34.7	27.8
Rubber products.....	26.6	28.6	30.5	32.2	21.0
Non-ferrous metal products.....	80.6	90.8	112.7	154.3	95.6
Iron products.....	74.2	62.7	82.2	78.5	38.9
Wood pulp.....	49.9	47.3	44.9	44.7	35.1

In the month of September, changes were made in the rates of over one hundred tariff items. A comparative statement is difficult because some divisions were previously incorporated

into general items. With this reservation, the imports under the 129 items amounted to \$112,271,000 in the period from October 1st, 1929, to March 31st, 1930, and in the same period commencing October 1st, 1930, and ending March 31st, 1931, the imports were \$61,920,000.

Summary of the Trade

A statement of the world trade of Canada in the past five years follows:

SUMMARY OF CANADA'S TRADE

—	Imports	Total Exports	Balance
	\$	\$	\$
Year			
1927.....	1,030,892,505	1,267,573,142	+ 236,680,637
1928.....	1,108,956,466	1,250,598,034	+ 141,641,568
1929.....	1,265,679,091	1,388,896,075	+ 123,216,984
1930.....	1,248,273,582	1,144,938,070	- 103,335,512
1931.....	906,612,681	817,003,048	- 89,609,633

New Industries Established in Canada

Since August, 1930, there has been a marked influx of new concerns from outside countries into the Dominion. It will be some time before full details in regard to the capital invested and the number employed can be secured since some are still in process of organization, but eighty-seven such concerns have already been listed by the Dominion Bureau of Statistics and the number continues to grow. Of the eighty-seven, seventy-four are United States manufacturing concerns, eleven are British—seven manufacturing and four non-manufacturing—and two are French.

These firms represent considerable diversification in industry. United States firms include eight in the vegetable products groups—such as foods and rubber—two animal products, eight textile, eight wood and paper products, twenty iron and steel, twelve non-ferrous metals, three non-metallic minerals, nine chemicals and allied products, two mining and two miscellaneous. British firms include three textile, six iron and steel, one chemical and one miscellaneous. The two French firms are textile manufacturers.

LIST OF NEW CONCERNS ESTABLISHING IN CANADA SINCE AUGUST, 1930

UNITED STATES

Vegetable Products:

1. Campbell Soup Co., Ltd., New Toronto, Ont.
2. Fine Foods of Canada, Ltd. (Minnesota Canning), Windsor, Ont.
3. Hill Nut Co., Ltd., Toronto, Ont.
4. Liberty Cherry Co. of Canada, Ltd., Toronto, Ont.
5. Newton Products, Toronto, Ont.
6. Stedfast Rubber Co., Granby, Que.
7. Stedman Flooring Co., Farnham, Que.
8. Teabury Chewing Gum Co., Sherbrooke, Que.

LIST OF NEW CONCERNS ESTABLISHING IN CANADA
SINCE AUGUST, 1930—*Continued*

UNITED STATES—*Continued*

Animal Products (Except Textile):

1. Cantilever Shoe Co. of Canada, Ltd., Toronto, Ont.
2. Schwegler's Hatchery, Bridgeburg, Ont.

Textiles:

1. Aero Corp. of Canada, Kitchener, Ont.
2. B. Edmund David, Hawkesbury, Ont.
3. Dominion Webbing Co., Ltd., Kingston, Ont.
4. Donahue Corp. of Canada, Ltd., St. Hyacinthe, Que.
5. Henry Hamer & Sons, Ltd., St. Georges de Beauce, Que.
6. Esmond Mills, Ltd. of Canada, Granby, Que.
7. Herbert Hosiery Mills, Ltd., Toronto, Ont.
8. Westminster Hosiery Ltd., Mount Denis, Ont.

Wood and Paper Products:

1. Belleville-Sargent & Co., Ltd., Belleville, Ont.
2. Brown & Bigelow Ltd., Toronto, Ont.
3. Dixon Pencil Co., Newmarket, Ont.
4. Eagle Pencil Co. of Canada, Ltd., Drummondville, Que.
5. Hardware, Woodenware and Toys, Ltd., Coaticook, Que.
6. Schaeffer Ross Co. of Canada, Ltd., Toronto, Ont.
7. Schlegel Co. of Canada, Ltd., Toronto, Ont.
8. Venus Pencil Co. of Canada, Ltd., Toronto, Ont.

Iron and its Products:

1. A. B. C. Washer Co., Granby, Que.
2. Burr, Patterson & Auld Co., Walkerville, Ont.
3. Castings of Canada, Ltd., Smiths Falls, Ont.
4. Cross Coal-O-Matic Co. of Can., Ltd., Montreal, Que.
5. Dominion Hoist & Shovel Co.
6. Dominion Motors Ltd., Toronto, Ont.
7. Fedder Mfg. Co., Toronto, Ont.
8. Heaters of Canada, Oakville, Ont.
9. Hump Hairpin Co., St. Hyacinthe, Que.
10. Hupp Motor Car Corp., Windsor, Ont.
11. Johnson (S. T.) Oil Burners of Canada, Ltd., Montreal, Que.
12. Lodge Motor Co., Ltd., Walkerville, Ont.
13. Lynn Canadian Products, Ltd., Brockville, Ont.
14. Metal Textile Corp., Hamilton, Ont.
15. Radiator Specialty Co. of Canada, Toronto, Ont.
16. Reo Motor Co. of Canada, Toronto, Ont.
17. Taco Heater Ltd. of Canada, Toronto, Ont.
18. D. D. Terrill Saw Co., Pembroke, Ont.
19. Tower Oil Burner Co. Ltd., Montreal, Que.
20. Stewart Truck Corp. of Canada (Assembling), Fort Erie, Ont.

Manufacturers of Non-Ferrous Metals:

1. Curtis Lighting Co. of Canada, Ltd., Toronto, Ont.
2. Dennison Electric Co., Toronto, Ont.
3. Dictograph Co. of Canada, Ltd., (Assembling), Toronto, Ont.
4. Eastern Power Devices, Ltd. (Formerly Sales Office), Toronto, Ont.
5. Hammond Co. of Canada, Ltd., Toronto, Ont.
6. International Resistance Co. Ltd., Toronto, Ont.

LIST OF NEW CONCERNS ESTABLISHING IN CANADA
SINCE AUGUST, 1930—*Concluded*

UNITED STATES—*Concluded*

Manufacturers of Non-Ferrous Metals:—Concluded

7. Leland Electric of Canada, Ltd., Toronto, Ont.
8. Noma Electric Co. of Canada, Toronto, Ont.
9. General Railway Signal Co. of Canada Ltd., Toronto, Ont.
10. Packard Cable Co. of Canada, Ltd., Toronto, Ont.
11. J. P. Seeburg Corp., Toronto, Ont.
12. Wheeler Reflector Co., Toronto, Ont.

Manufacturers of Non-Metallic Minerals:

1. Messrs. Bundy Insulators Co., Oshawa, Ont.
2. Master Builders, Ltd., Toronto, Ont.
3. Tranco Manufacturing Co. (Canada) Ltd., (formerly sales office),
Leaside, Ont

Chemicals and Allied Products:

1. Canadian Bitumels Co., Ltd., New Toronto, Ont.
2. Everett & Barron of Canada, Ltd., Toronto, Ont.
3. Fyr-Fyter Co. of Canada, Ltd., Hamilton, Ont.
4. The A. W. Higgins Co., St. John, N.B.
5. Mallinckrodt Chemical Works of Can., Ltd. (formerly sales office),
Toronto, Ont.
6. Mum Mfg. Co. Inc., Windsor, Ont.
7. Ober Fertilizer Co., Welland, Ont.
8. Sheffield Bronze Powder Co., Ltd., (formerly sales office), Tor-
onto, Ont.
9. Summers Fertilizer Co. Inc., St. Stephen, N.B.

Miscellaneous Industries:

1. L. G. Balfour Co., Sherbrooke, Que.
2. Film Laboratories of Canada, Ltd., Toronto, Ont.

Mining and Metallurgical:

1. Northwest Stellarene Co., Coutts, Alta.
2. Parco Oil Co., Ltd., Calgary, Alta.

GREAT BRITAIN

Textiles:

1. Hield Bros., Kingston, Ont.
2. G. H. Hirst & Co., Carleton Place, Ont.
3. Hiram Leach & Co., Huntingdon, Que.

Iron and Steel Products:

1. Imperial Typewriter Co. (Canada), Ltd. (Non-Mfg.), Toronto, Ont.
2. Quasi-Arc Co., Ltd. (Non-Mfg.), Toronto, Ont.
3. Taylor Instrument Co. of Canada, Ltd. (Non-Mfg.), Toronto, Ont.
4. Warwick Time Stamp Co., Toronto, Ont.
5. Wright's Canadian Ropes, Ltd., Vancouver, B.C.
6. Zanogen Steel Co. of Canada, Ltd., Toronto, Ont.

Chemicals and Allied Products:

1. British Drug Houses (Canada) Ltd. (Non-Mfg.), Toronto, Ont.

Miscellaneous.

1. Bovil & Hood (Canada), Ltd., Montreal, Que.

FRANCE

Textiles:

1. Canadian T.S.R. of Lyons, Ltd., Cap de la Madeleine, Que.
2. Henry Potez of Canada, Ltd., Cap de la Madeleine, Que.

Mr. MACKENZIE KING: They are practically all in Ontario and Quebec, are they not?

Mr. BENNETT: With the exception of two, I think. Now, may I just meet a few words of criticism in advance, although perhaps it is unnecessary. The extent of investment in Canadian industry by United States, other foreign countries and Great Britain is a subject of far-reaching importance. All young or undeveloped nations have been dependent on large capital investments by outside countries for the development of their natural resources and for assistance in the establishment of the diversified industry necessary to all-round national development. Without such assistance industrial progress would be slow and difficult. The hardships being endured by the Russian people to-day exemplify the sacrifice which an undeveloped nation would be called upon to make, not for five but many times five years, if that nation were to strive to become industrialized through its own savings of capital. Canada has for many years received large investments from other countries. Fear has sometimes been expressed that these outside nations by starting industries in this country or investing their capital in various Canadian enterprises, commercial, governmental, financial or other, are obtaining a menacing position in our economic life. The facts of the case reveal these fears to be entirely unfounded. A recent bulletin of the bureau of statistics shows that in January, 1930, there were located in Canada 1,199 British, United States and other foreign branch, subsidiary and affiliated firms concerned with manufacturing or production. Of these, 1,023 were from United States, 162 from Great Britain and 14 from other countries. The capital employed in these concerns amounted to \$1,818,000,000, ownership of which in individual firms ranged from less than 50 per cent to 100 per cent. In all, 68 per cent or \$1,239,000,000 was owned in the United States, 17 per cent or \$317,000,000 was owned in Canada, 14 per cent or \$257,000,000 in Great Britain and \$6,000,000 or less than 1 per cent in other countries.

Even in such branch or subsidiary firms Canadians held nearly 20 per cent interest, and it is a well known fact that the Canadian proportion tends to increase. There have been many instances of firms established in Canada by outsiders eventually passing into Canadian hands.

To see such facts in their proper perspective, however, it is necessary to compare the figures with those of the geographical distribution of ownership of all capital employed in Canada. It is estimated that the amount is \$17,500,000,000. This sum includes the bonded indebtedness of Dominion, provincial and

municipal governments, investments in railways, manufacturing concerns, mines and metal industries, public utilities, trading establishments, finance, insurance, etc. It excludes private capital in domestic enterprises such as farms and homes. Of this sum it is estimated that 65 per cent or \$11,500,000,000 is owned in Canada, 20 per cent or \$3,500,000,000 in the United States, 13 per cent or \$2,200,000,000 in Great Britain and less than 2 per cent or \$300,000,000 in other countries. It is obvious that the control of our enterprises is very predominantly in our own hands. If the basis of comparison be our total national wealth, foreign and British investments are still less significant. Our national wealth is now probably in the neighbourhood of \$30,000,000,000; British and foreign investments of capital in Canada are \$6,000,000,000 or just 20 per cent. Even of this 20 per cent many millions of dollars are represented by bonds which do not ordinarily carry with them direction or control of industry.

I believe, sir, that any member of this house reading these figures must be impressed with the resource and courage and enterprise of the Canadian people in industrial, agricultural and manufacturing fields of endeavour. Of sums so vast, I do not believe there is any record on the part of any other population equally small and scattered over an area so great.

EXTERNAL TRADE RELATIONS

May I point out now that Canada carries on its business at home and abroad by the application of principles that vary with the administrations of the day. So far as this party is concerned, it directs, and will continue to direct its operations from three angles: first, we believe that we have been entrusted with great resources which it is our duty to develop to the greatest possible extent; secondly, that Canadians are entitled to carry on that development, enjoying an equal opportunity with the other peoples of the world engaged in the development of their respective countries; and, thirdly, that Canadians are entitled to fair competition in carrying forward that development. We meet the last requirement by dumping legislation; we meet the second requirement by tariff legislation; and we meet the first requirement by the courage and enterprise of our people aided by the legislation thus indicated.

Now it has been customary, in the course of very many centuries, for trading peoples to negotiate agreements or treaties with others who are engaged in commerce; and in this regard the Canadian people have not been unlike others. But may I point out this: that Canada, by reason of being a part of the British Empire, is subject to treaties applying to our trading enterprises somewhat different from those that exist in other parts

of the world. For instance, Canada has treaties which were made direct by this Dominion. We have a treaty with France made on December 15, 1922; one with Italy made on January 4, 1923; one with Belgium made on July 3, 1924; one with the Netherlands made on July 11, 1924; one with Czechoslovakia made on March 15, 1928; and one, a *modus vivendi*, made with Cuba, November, 1929.

Then Canada has a second kind of treaty—a treaty made by Great Britain on behalf of the British Empire but which provides that this part of the Empire is bound by it only when we accede thereto. Of this kind of treaty we have two, one with Japan, made on April 3, 1911, to which we acceded on May 1, 1913, and one with Spain, made on April 5, 1927, to which we acceded on August 1, 1928.

Again, we have another, a third form of treaty, namely, that which contains a clause providing that the most-favoured-nation terms shall be accorded to Canada if similar treatment is given by this Dominion to the country with which the treaty is made. Such treaties we have with Finland, Esthonia, Hungary, Jugoslavia, Latvia, Lithuania, Portugal and Roumania.

Lastly, we have that class of treaty which was made by Great Britain before we became a confederation, or before we negotiated treaties on our own behalf—treaties that bound every part of the British Empire when they were made by Great Britain, long years before we became a Dominion. The list is interesting. Of such treaties, there is one with Argentina, made on the 2nd day of February 1825; one with Colombia, made on the 16th day of February 1866; one with Denmark, made on February 13, 1660; one with Norway, made on March 18, 1826; one with Sweden—the oldest of all—made on April 11, 1654; one with Switzerland, made on September 6, 1855; and one with Venezuela, made on April 18, 1825.

These trade treaties exist for the purpose of extending trade and commerce on mutually advantageous terms. For instance, the late government made a treaty with Australia which was extended to New Zealand by order in council on October 1, 1925. It was withdrawn by order in council on October 12, 1930, after it had been in force a little over five years.

Now, the difference between my hon. friends opposite and ourselves is this: we believe in trade treaties that are mutually advantageous to the parties to the treaty. And we believe that the only method by which you can understand and appreciate just what the effect of treaties will be is to have a clear conception of their possible implications; for nothing could be

more ruinous than what has transpired during the last few months in connection with the treaties with Australia and New Zealand. We negotiated a treaty with Australia. I may say for the information of the house that that treaty was never signed. That probably was merely an accident or an oversight. The treaty consisted of so many pieces of paper—some twenty-five in all, I believe. Difficulties were experienced; differences arose, parliament was in session, and it became necessary to complete the matter before the rising of the house. And so we passed the statute that ratified that Australian treaty, and made provision therein whereby, by order in council, it might be extended to other countries. On October 1, 1925, it was extended to New Zealand. The right hon. member opposite who leads the opposition to-day (Mr. Mackenzie King), shortly before that, in Woodstock, Ontario, declared that he could not conceive it possible—and he honestly so believed—that the extension of the treaty to New Zealand could be inimical to the trading interests of Canada. But let us see what happened. At that time New Zealand had no channel of trade with Canada for butter. Now, a channel of trade is like any other channel that may be created: it is something which once created cannot as a rule be changed without injury. That channel not having been established in 1925, they began just as an individual would do, to widen and deepen such a channel by sending forward their butter under that treaty under a duty of 1 cent per pound. By that means they began to create a channel of trade. That channel grew in size until the imports into this country year by year expanded, reaching at last so colossal a figure as to amount to several millions of dollars for butter alone.

There you have a well-defined, well-established channel of trade between the sister dominion of New Zealand and Canada, with the result that this trade was injurious to the Canadian producer. And the government of the right hon. gentleman opposite—not this government—gave notice terminating that treaty. They gave notice in April of last year while this house was in session, because the right hon. gentleman was himself convinced that the treaty should be denounced, and he gave six months' notice under the terms of the treaty, terminating that arrangement with New Zealand. With what result? With this result—that when we came into office New Zealand bitterly complained of the situation; they said that they could not entertain the idea that their butter should not continue to come into this country as it had done before. We endeavoured to explain to them that Canada believed that this Dominion should also be on an export basis for butter. We pointed out that we were a dairy country and that they must not think that

they could displace Canadian produce for their own, excellent though it is. Having pointed that out to them, we continued in our efforts to make some arrangement, some *modus vivendi*, by which we could carry on reciprocal trade. But for some reason, best known to its government, New Zealand believed that Canada must—I use the word advisedly—buy butter from New Zealand. Either to-day or to-morrow the parliament of New Zealand will refuse the British preference to Canada and they will do so because we are not in a position to let their butter come into this country practically free to supplant our own product. Who is to blame for that? Who is to blame for the unfortunate difficulties which exist between the two great dominions? The government that did not foresee the implications of the treaty it made, and the government that terminated that treaty thereby creating the condition to which I have referred. Let there be no shaking of heads—did or did not the former government terminate that treaty? If it did, then it must accept responsibility. The result is that New Zealand says—very properly so, I suppose, from their standpoint, thinking of themselves alone—that they are not going to permit Canada to have the British preference in their markets unless we allow their butter to come in here.

I cite that for the simple and obvious reason that it becomes necessary to realize that when treaties are made there should be a clear understanding and appreciation of their implications. That is one of the reasons why we endeavoured while in England and since, to arrive at some arrangement with our great sister dominion, Australia, which would not make it necessary to destroy channels of trade and bring about the hard feelings which no doubt would prevail and have prevailed in connection with New Zealand. During the last few months, while he has been in health, the Minister of Trade and Commerce (Mr. Stevens) has been engaged constantly in endeavouring to insure that a reasonable treaty may be made between Australia and Canada. I trust that in furtherance of the unanimous view expressed by the overseas dominions at the Imperial economic conference last year we may be able to negotiate an agreement which will be mutually advantageous to both countries. It is my earnest hope and my confident belief that before this house rises we will submit such a treaty or agreement for the consideration of this house. I cannot permit this opportunity to pass without stating that we are really under an obligation to the government of Australia for the manner in which they have treated us during the last year in connection with butter and its products. They have made it possible for the channels of trade not to be destroyed in such a way as to bring about that condi-

tion of mind on the part of their country which now prevails in New Zealand. We are under a great obligation to them for what they have done in that regard.

I mention also another treaty which stands in a somewhat similar position, namely, the treaty negotiated with France. The French treaty provides that a fixed and definite duty rate must prevail and that we cannot grant to any other country a different rate without violating the provisions of that treaty. In the budget presented to this house in May last there was an interference with the provisions of that treaty, to which the great republic very properly directed our attention. A treaty containing provisions such as that cannot, I submit, ever be a sound treaty because it disregards the fundamental rule which must always obtain in connection with trade treaties and which we propose to continue so far as we are concerned. That rule is this: Treaties must be mutually advantageous; if they are not they fail, and unless there is a clear appreciation of that fact there cannot be other than failure. This rule was stated very clearly the other day by the president of the United States Steel Corporation. Speaking to the National Foreign Trade Convention on May 28, he said: "It is a sound economic principle to sell in markets where the product is needed for consumption and where there is no surplus of the same commodity."

May I point out to the house that all the domestic trade of this country which represents imports is foreign trade to other countries. If hon. gentlemen opposite will only get in their minds that fundamental thought they will realize that this government on the one hand, desires to maintain the economic principle to which Mr. Farrell referred, and on the other hand, to realize to the full that every import brought into this country, from abroad represents foreign trade to some other country. Our business is to see that we do not expand the foreign trade of any other country when we ourselves are producing or can produce the goods so imported.

MR. MACKENZIE KING: How does my right hon. friend propose to expand the foreign trade of Canada under rules of that kind?

MR. BENNETT: It is very simple. Does the right hon. gentleman for a moment mean to say that there are not countries which do not produce the commodities which Canada produces and which they require? That is what he is trying to say, and I can tell him that the whole theory upon which trade within the British Empire will ultimately be built up is upon the proper appreciation and realization that the requirements of each part can be filled by requisitioning the production of such commodi-

ties from other parts of the empire. The foreign trade of Canada can be built up, just as Mr. Farrell said, by making our arrangements with countries which have to have what we produce and which do not come in competition with the surplus they themselves produce in their own countries.

Hon. gentlemen opposite seem to find some difficulty in working that out. Of course they will find difficulty, for the simple and obvious reason that for nine years the colossal failures they made indicate their inability to do so, and that is why we are here to-day.

MR. MACKENZIE KING: The colossal trade was not a colossal failure.

MR. BENNETT: The loss of trade was exactly the same—

MR. MACKENZIE KING: I said colossal trade.

MR. BENNETT: —in Canada as in other countries of the world, and we are still the fifth trading country of the world. In other words, the ten millions of people inhabiting this vast territory are the fifth trading people in the world. I will admit that the right hon. gentleman and his friends opposite would like that not to be. They would rejoice if it were not so because it would be of some political advantage to them. Their constant fear seems to be that by the application of business principles to these matters we will insure success, and they have made every effort they could to bring about failure with respect to the Imperial economic conference. Their every effort has been directed in an endeavour to bring about if possible a failure in order that they may derive some political credit. What is more, that is well understood in the various parts of this empire.

MR. MACKENZIE KING: Could my right hon. friend have asked for more in the way of a free hand than what he had at the last Imperial conference?

MR. BENNETT: The right hon. gentleman has failed to appreciate what I say—the former Minister of the Interior (Mr. Stewart) never could understand it—hon. gentlemen opposite must realize that I am referring to their efforts to belittle and if possible destroy the adjourned conference at Ottawa. That fact is fairly well understood.

MR. MACKENZIE KING: Is there to be a conference this fall?

MR. BENNETT: The hon. gentleman knows that I cannot be diverted by that from this budget. Let me proceed.

MR. POWER: The hon. gentleman is giving us considerable diversion.

MR. BENNETT: The hon. gentleman's wit is greater than his understanding.

May I now, having reverted to the question of trade, point out the position which this country occupies amongst the nations of the world and the result of the efforts which were made in September last to ensure that there should be less of other people's products come into competition, on terms that are injurious and destructive to our own industrial well-being, with the products we ourselves produce.

Having done that, I shall now speak of two matters further and then I shall have done in that regard. A few months ago I pointed out that the republic of France, realizing the weakness to which attention was directed with respect to the treaty, had undertaken to increase their purchases of wheat from this country during the current wheat season, and prior to the end of April they had bought six times as much wheat from Canada as during the preceding year. Moreover, notwithstanding the statements that have been made as to the difficulties under which we labour, the statement made by the former Minister of Trade and Commerce that this country could do nothing to sell wheat—selling wheat is something he could not do—all I can say is this: The net result of the situation to-day is that we have sold at least one-third more wheat than we did for the same period the year before. That is the lowest estimate, and it is increasing very rapidly.

An hon. MEMBER: What about the price?

Mr. BENNETT: The price is just as low this year as it was last with respect to the other countries of the world, but we have endeavoured as best we could, although opposed by hon. gentlemen opposite, to secure the markets, and as a matter of fact, as is shown by the increased exports of wheat, we have to some extent secured them.

WAYS AND MEANS FISCAL YEAR 1931-32

I now come to what probably to some is the most interesting part of our discussion, namely, to what ways and means we shall resort for the purpose of providing the money to carry on the public business. I shall come first of all to a statement of anticipated revenues and expenditures. I will admit that this is the first time for many years that this country has had a budget.

Some hon. MEMBERS: Oh, oh.

Mr. BENNETT: Will any hon. member on the other side of the house say that last year there was any estimate given of expected revenues? Was there any estimate given of expected expenditures? Was there any word given of a \$75,000,000 deficit? What did they do? What the then government did was

merely to bring down estimates for moneys to be raised by taxation without any estimate of what was to be realized. I said frequently in this house in those days, and I now repeat, that not in any municipal council in this country would the people tolerate their mayor and councillors conducting business without giving an estimate of expected expenditures and revenues for the current year. It is the basis of responsible government, it is the basis upon which representative institutions have been established, and that responsibility can only attach when there is some estimate as to what is being received by the country from the taxation imposed and as to what expenditures are to be made. So I propose under the heading which I have given to draw attention to these matters. I shall ask hon. gentlemen to go through the record of my predecessors in that regard during the last seven or eight years and see if they can find any such record there. I could have easily escaped doing so. All I would have had to do would have been to follow the example of my predecessors during the past eight years, and I would have escaped all responsibility for giving any figures of what the proposed income and expenditure will be during the present year.

On the basis of existing taxation rates, the anticipated revenues in the present fiscal year will be \$325,120,000. A division of the amount by sources is:—

Customs.....	\$117,000,000
Excise duties.....	59,500,000
Income tax.....	54,000,000
Excise taxes.....	38,000,000
Post Office.....	30,500,000
Interest on investments.....	8,800,000
Miscellaneous revenues.....	13,276,000
	<hr/>
	\$321,076,000
German reparation payments and miscellaneous receipts.....	4,044,000
	<hr/>
	\$325,120,000

The expenditures for the year, including all statutory charges, are estimated at \$430,457,828. A division of these, and a comparison with the actual expenditures last year, are:

COMPARISON OF ESTIMATED EXPENDITURES 1931-32 WITH ACTUAL EXPENDITURES, 1930-31

—	Actual 1930-31	Estimated 1931-32
	\$	\$
Ordinary expenditures.....	389,560,722	391,552,085
Unemployment relief.....	4,431,655	13,000,000
Capital expenditures.....	28,222,342	18,484,243
Special expenditures.....	12,357,674	4,378,000
Loans and advances non-active.....	5,488,264	3,043,500
	<hr/>	<hr/>
	440,060,657	430,457,828

It will, therefore, be noted that with estimated revenues of \$325,120,000 and with estimated expenditures of \$430,457,828, parliament must take under consideration ways and means to secure added revenues if the accounts are to be balanced. The sum of \$105,337,828 will be required if all expenditures are treated as charges against the year's revenues. On the other hand, if the \$18,484,243 on capital account, plus the \$1,700,000 estimated to be required by the Quebec harbour commission, which in the foregoing table is included in Loans and Advances non-active are treated as permanent improvements, and paid from borrowings, the additional amount required is \$85,153,585. The new imposts to be authorized by the resolutions about to be tabled will, it is hoped, produce an additional estimated amount of \$78,175,000 and for the purpose of showing the increases by sources a summarized list is now given:

Customs duties.....	\$ 5,000,000
Excise Taxes—	
Sales tax.....	52,500,000
Tax on imports.....	7,500,000
Stamps.....	1,000,000
Income tax.....	9,500,000
Post Office.....	2,175,000
Other taxes.....	500,000
	<u>\$78,175,000</u>

On the basis of the present volume of business, it is estimated that these additional taxes will yield \$94,000,000 in a twelve months' period.

To give a comparison of the estimated total revenues for the present year, with the actual revenues of last year, the following is submitted:

ESTIMATED REVENUE, 1931-32, AS COMPARED WITH ACTUAL
REVENUE, 1930-31

	Actual 1930-31	Estimated 1931-32
	\$	\$
Customs duties.....	\$131,209,000	122,000,000
Excise duties.....	57,747,000	59,500,000
Excise taxes.....	34,735,000	99,000,000
Income tax.....	71,048,000	63,500,000
Post Office.....	30,212,000	32,675,000
Interest on Investments.....	10,421,000	8,800,000
Miscellaneous Revenue.....	14,221,000	13,776,000
	349,593,000	399,251,000
German reparation payment and miscellaneous receipts.....	6,622,000	4,044,000
	356,215,000	403,295,000

With estimated expenditures of \$410,273,000 exclusive of expenditures on capital account and advances to Quebec harbour commission, but including the balance of \$13,000,000 of the unemployment relief appropriation of 1930 and estimated revenues of \$403,295,000, the deficiency in revenues under expenditures, based upon the estimates made, will be some \$7,000,000.

The \$13,000,000 for unemployment relief is a commitment actually made in 1930-31, and would more properly be considered in the accounts of last year, but under the government's system of book-keeping, the actual disbursements not being made until this year due to the time necessary for the usual accounting formalities, they serve to add to the expenditures of the present year. Taking this into consideration, the figures presented indicate a balancing of the budget by a substantial margin in respect of expenditures properly applicable to 1931-32, after excluding capital.

While on the subject of our commitments for the year, let me say that contractual obligations entered into by the harbour commissions of Halifax and Saint John under the former administration involving millions of dollars of expenditure for which no parliamentary sanction was in existence will add materially to our financial requirements. It will be necessary for the government to ask parliament to make provision for the implementing of these contracts. The whole matter is under investigation and report but it is possible to say that the amounts involved in these contracts and in ancillary expenditures which are recommended to render the main projects of commercial value will be over \$6,000,000 divided about equally between these ports. Also, in respect of the elevator built in 1927 at New Westminster but not yet in operation, some \$300,000, in addition to \$700,000 already provided by way of guarantee of securities, is asked of this administration to meet commitments made but not provided for.

OLD AGE PENSIONS

Included in the expenditures to which I have referred, contemplated for this year, are those provided by the main estimates, and the additional sums which we have provided for supplementaries, besides a sum for old age pensions, increasing our contributions to the provinces from 50 to 75 per cent for this year only in respect of the total sums that are paid.

COAL SUBSIDIES

We propose to implement the promise made by the Conservative party at the convention which was held at Winnipeg by providing a further sum of \$1,800,000 coal subsidies.

ALBERTA AND EASTERN BRITISH COLUMBIA MOVEMENT

On coal movements from Alberta and the eastern area of British Columbia to the Manitoba market some 100,000 tons have been moved since June of last year.

We now propose to grant a higher rate of assistance on Canadian coal shipped to this market and at the same time extend the area as far east as Fort Frances and Sioux Lookout. The increased assistance now provided should do much to extend the market for Canadian coals. The assistance provided in this case is by the payment of $\frac{1}{7}$ of one cent per ton per mile on coal to Manitoba and $\frac{1}{3}$ of one cent per ton per mile on movements eastward as far as Fort Frances and Sioux Lookout.

Maximum \$2 per ton into Ontario.

Maximum \$1.50 per ton into Manitoba.

Shipments of lignite from the Saskatchewan field will be assisted by a payment of $\frac{1}{7}$ of one cent per ton per mile on movements to Manitoba and that part of Ontario just mentioned. The previous assistance granted amounted to a straight bonus of 50 cents per ton applying only to the Manitoba market. This is now extended as far east as Fort Frances and Sioux Lookout.

Maximum \$1 per ton.

British Columbia

It appears that with reasonable assistance the coal industry of British Columbia can be improved and with this end in view the government has decided to assist by granting the sum of 25 cents per ton on sales of coal sold for fuel, for ships' stores or for export to foreign countries. This assistance will not apply on exports to the United States of America.

There again one is confronted with a situation of great seriousness. The people of the Pacific slope, when they substituted oil for coal, probably did not realize the extent of the injurious effect upon the coal industry. Therefore, along the coast of British Columbia where oil burners have been substituted for coal grates, changes cannot be made without causing tremendous losses in a period of great depression. The same thing applies to other matters, so much so that when the new hotel was built at Vancouver, the pressure to burn oil succeeded over the pressure to have coal used until my hon. friend the Minister of Railways reversed the decision and provided that coal should be burned. There are great merits to the use of oil as a fuel, but it is imported into this country and when the gasoline is taken from it the crude oil becomes available for fuel purposes. Industries have been established using that fuel, and to change back to coal would involve tremendous losses at this time.

New Brunswick

The assistance previously granted to the eastern coal industry did not extend the markets for New Brunswick coal. The assistance now authorized is by a payment of $\frac{1}{6}$ of one cent per ton per mile on movements to points in the provinces of Quebec and Ontario.

Maximum \$1.50 per ton.

Nova Scotia

Coal movements from the province of Nova Scotia to points in the provinces of Quebec and Ontario are further encouraged by a payment of $\frac{1}{5}$ of one cent per ton per mile to Quebec and $\frac{1}{3}$ of one cent per ton per mile to Ontario from St. Lawrence ports. An all rail winter movement is also provided by the payment of $\frac{1}{7}$ of one cent per ton per mile.

Maximum 75 cents on the $\frac{1}{5}$ rate; maximum \$2 on the $\frac{1}{7}$ rate; maximum \$1.50 on the $\frac{1}{3}$ rate.

Summary

If, under this assistance, the total potential coal markets are secured it should provide a movement of nearly 1,800,000 tons of Canadian coal at a cost of approximately \$2,000,000.

That extends until the year 1933, as will be indicated further as we progress.

Shipment of Alberta Coal to Ontario at \$6.75 Freight Rate

Order in Council P.C. 439, approved 16th March, 1928, authorized \$6.75 rate for seasonal movements of coal from Alberta to Ontario for not less than three months in each year during a period of three years.

Provisions were extended for another year by P.C. 1268 of 5th June, 1930.

Provisions have been made for a continuous movement from August 1, 1931, to March 15, 1932.

Findings of Cost by Railway Board

In respect of the 1928 movement the Board of Railway Commissioners reported that payments were to be made by the Government on the cost basis of \$8.23 per ton, making \$1.48 per ton as the amount to be paid by the government to the railways.

With respect to the 1929 movement the railway board's finding was on the cost basis of \$8.97 per ton, making \$2.22 per ton as the amount to be paid by the government.

No decision has been handed down for the 1930 movement.

SUMMARY STATEMENT OF SEASONAL MOVEMENTS OF ALBERTA COAL TO ONTARIO

Seasonal Movements	Tonnage Shipped	Cost to Government
		\$
1928; April 15 to July 15.....	32,101	47,509 50
1929; Jan. 15 to July 31.....	37,115	82,396 55
1929-30; Dec. 1 to July 31.....	26,156	No payments as yet
1930-31; Oct. 25 to July 31.....	12,167	No payments as yet

Aid to Wheat-Producing Industry

The third matter to which attention is directed is that touching the movement of wheat. There has been a succession of bad harvests in some parts of western Canada, and during the last few weeks lack of moisture—I speak subject to correction, I hope—has caused a loss of this year's prospective crop in a great deal of that area. My advices by telephone were that very few days would determine the fate of a considerable portion of the crop. In some parts of the country this is the third crop failure and the reserves of the people are entirely exhausted. Two things must happen: First, provision must be made to assist those who have a crop, because they have considerable obligations, taxes, etc., which must be discharged. Other methods will be taken to deal with the situation of the provinces which are not in a position to assist those who with their reserves exhausted and their crops a failure for the third time are practically ruined. We therefore propose to provide that the freight rates shall be adjusted by this country absorbing five cents per bushel on all wheat that is exported of the crop of this year. That provision is effective this year. That amount is taken into consideration in the estimates I have given of the expenditures for the year.

TAXATION PROPOSALS

I now propose to indicate to the house the methods to be adopted for the purpose of raising the necessary revenue to meet expenditures. We believe that if the revenues show any appreciable expansion the budget will be balanced at the end of the year. At the most however the expenditures which will be called upon to be met by short date treasury bills will amount to less than \$10,000,000. I thus come to the ways and means by which we propose to make good the supply.

Two principles have to be borne in mind; the first is that however tempting the field may be, in a period of great depression departure from known practised methods of taxation should be as few as possible. In other words there should be as little dislocation of business as possible and the taxes imposed should be those with which the people are familiar. The second is that taxes should be as light as possible having regard to the conditions which prevail. One of the paradoxes of a situation such as the present is that when money is required most, the people are least capable of paying it in the form of taxation. That is the condition found in periods of universal depression.

CUSTOMS TARIFF

Applying these rules first of all we take up customs duties, or the tariff. By this government the tariff is used for the purposes I have already indicated. I should have liked to have a complete revision of the tariff, as I indicated at the short session would take place. However circumstances and conditions over which we had no control made such a revision impossible at the present moment. With that in mind we have undertaken revision of only such items as it was necessary to deal with to ensure the maximum of employment by reason of the operation of the new rates. A similar result was obtained by our action during the last session. I pause at this time to ask hon. members opposite what the condition of this country would have been had there been no short session. I just put that question to my hon. friends. The number of items with which we have dealt and which deal with rate-making included in the resolutions number about two hundred. A feature of the amendments is a provision for the collection of duty by which we follow the modern practice adopted in other countries whereby for duty purposes containers are treated as contents. That provision applies to cheese, powdered milk, macaroni, dried fruits, soap and the like. In almost every case, with only two or three exceptions, changes of rates are confined to the intermediate and general tariffs; in other words, the British preference has been left untouched. In connection with agricultural and other food products there are increases under the intermediate or general tariff, or both, in respect to numerous commodities. The more noticeable items in this class are live hogs, fresh meats, bacons, hams and shoulders; shell eggs, cheese, hops, powdered milk; peas, Indian corn, hay; field, root and garden seeds; canned fruit and vegetables, raisins, oranges.

Another item which has involved much discussion is that concerning the automobile industry. Hon. members will recall that a few weeks ago certain changes were made in the auto-

mobile schedule under an order in council which provided that the discount to dealers should not exceed 20 per cent for duty purposes. As is known, automobiles subject to duty at the present time are divided into two classes, those valued up to \$1,200 and those ranging from that figure upward. We propose for duty purposes to divide automobiles into three classes: first those valued up to \$1,200, second, from \$1,201 to \$2,100, and third, above \$2,100. In connection with the first named class there are no changes in duties. In connection with the second group the general tariff is increased from $27\frac{1}{2}$ per cent to 30 per cent. On the third group the intermediate and general rates are increased to 30 and 40 per cent respectively. The automobiles in this latter group are what my hon. friends refer to as luxury cars.

Now I come to the question of drawbacks. It will be recalled that on more than one occasion the hon. member for Macleod (Mr. Coote) pointed out that the drawback of 25 per cent on all the imported commodities which went into the production of an automobile operated, if at all, unfairly on Canadian industry. What we propose to do is this: first, the drawback shall not in any event exceed 60 per cent, and second, the drawback shall not apply to commodities which I shall hereafter enumerate. As indicating the extent to which this country has made progress in the way of developing its industries I should like the house to consider the items upon which drawbacks will not be granted. The articles to which I have referred are as follows:

Rubber tires; wheel rims; wheels, including hubs and drums; tire carriers; tire covers; wheel carriers; brakes, service and emergency; brake linings; brake pedals and operating levers; chassis springs, between frame and axles; shock absorbers, chassis frames; front axles, forged type only; clutch and clutch pedals; universal joints; propeller shafts; transmissions; gear shift levers; rear axles, except banjo housings; radiator cores; exhaust pipes; mufflers; gasoline tanks; running boards and covers; front and rear fenders; bumpers and bumperettes; steering gears; head and tail lights, not including lenses; dome lamps; electric light globes; electric wiring and cable; spark plugs; batteries, starting motors; electric generators; drag links; motor fans; motor fan belts; thrust bearings, ball or plain; motor hoods, sheet metal; motor hood clamps; anti-squeak braids and strips; moulded rubber parts; lubrication fittings; wheel hub caps; sand castings; drop rolled or pressed forgings; bolts, nuts, screws, tacks and studs; head pins and clevis; cotter pins; plain washers; coil springs and seat springs; wood frames for bodies; rubber and pyroxilin covered or doubled top fabrics and curtains; wind-

shields complete; upholstering fabrics and materials other than printed fabrics; rubber tubing and windlasses; floor boards; carpets; window shades; paints and varnishes and solder; stampings of all kinds other than radiator shells, and cowls and body stampings; tool kit equipment, including jacks; robe rails and foot rests; curtain and carpet fasteners; rear view mirrors; gear shift lever knobs; felt parts; clocks, stem winding; window finishing strips.

The list I have given comprises items made in Canada and which it is proposed shall hereafter be used in manufacturing automobiles if duty agreements are not to be made. Canadian manufactured cars using those parts will not receive any drawback, with respect to the other items which have to be used to produce cars in this country the drawback will be 60 per cent instead of 25 per cent.

Closely associated with the automobile question is that of used automobiles. Endeavours to dump such cars into this country have been very noticeable during the last few months. We propose to place used automobiles on the prohibited list. Hereafter no used automobiles will be imported into Canada except as settlers' effects or travellers' vehicles.

We come now to another item which will greatly interest the house, I am sure—that is coal. It is proposed to impose a duty of 40 cents per ton on anthracite coal and \$1 on coke under the general tariff—free under British preferential tariff. It is proposed that the rate on bituminous coal and coal screenings shall be raised to 75 cents per ton, and that the general tariff rate on charcoal be \$7.50 per ton.

The leather schedule secures increased rates under all tariffs, the alterations affecting kid, upper leathers, sole leathers, East India kips, belting leather and belting, glove leathers and leather garments.

We come now to another matter which has been given much attention by legislators during the last twenty-five years, namely, the importation of magazines and periodicals. I was told the other day that at one newsstand there were 350 different magazines and newspapers on sale. As to a very large number of them, certainly some people would be better off if they did not read them.

An hon. MEMBER: All people.

Mr. BENNETT: Yes, all people. We therefore propose that magazines and periodicals shall be made subject to a specific duty of 15 cents per pound, under the general tariff, except in the case of such as may be placed on an exempted list by order in council. At the present time the censor undertakes to exercise

some control over these matters—a control that at times has been more or less difficult. That provision of the tariff as to prohibition of the importation of such publications will remain as at present. Under the direction of the governor in council magazines for educational and scientific and religious purposes will be allowed to enter free.

Tariff changes affecting iron and steel include increases on steel plate, wire netting, machinery, safes and miscellaneous manufactures of iron and steel, with decreases on green saw steel, hot rolled strip steel for cold rolling, various kinds of steel wires and bessemer steel billets.

One of the items that I mentioned in September last about which there has been much discussion in this country is furniture. Last summer I had an opportunity to see many of the furniture factories of this country. I found that they were working a very limited time per day but making quite as good furniture as is made in any part of the world, if not better—

Some hon. MEMBERS: Hear hear.

Mr. BENNETT: —but they were subject to dumping competition that certainly was interfering with their trade. We propose to make some slight change in that regard, particularly with respect to furniture, including metal furniture, veneers, ply wood, clothespins, golf clubs, tennis rackets, and so on.

The textile schedules are limited, and the changes very few, the significant one being increases on linen fabrics and articles, excepting damasks, all of which are made in Canada. Damasks, —a tariff on which might affect the trade of northern Ireland—have not been touched. We propose to see that there shall be no increase in price, but that the Canadian industries shall have an opportunity to compete fairly with their competitors. The changes also involve increased tariffs on fabrics of pure silk, with decreases on mohair yarns. With respect to pure silk, we desire to protect our manufacturers from competition with dumped silk from abroad which is sent in here at almost any price. Our silks are the equal of any made in the world; in fact a branch factory in this country is a subsidiary of a company that employs some 50,000 people in the United States.

Prepared roofings, wallboards, insulating materials, and so on, are increased in rates, as are wallpapers and containers.

Building stone of all kinds, both rough and finished, as well as building brick, magnesite and ground feldspar, will bear higher rates than formerly.

No changes are made in respect of farm implements, although the item covering repair parts is extended in point of time. That

is, when we increased the duty last year on agricultural implements, we found there were certain repair parts made by companies that had no factory in Canada. I am happy to say they are likely to open one at no distant date. In the meantime parts to repair their machines will continue to come in under the old tariff for another year.

The tariff on clocks and watches is revised, the rate being increased, and provision is made for increases on window glass and laminated glass. I should think there would now be a noise on the other side of the house.

The tea schedule is radically revised, the former free entry of bulk teas under the British preferential tariff being cancelled and replaced by rates of 4 cents, 8 cents, and 8 cents per pound on teas imported direct from place of growth or imported from the United Kingdom, and rates of 10 cents, 10 cents, and 10 cents per pound on teas otherwise imported. It will probably be remembered that at the last general session one item only in the tea schedule was touched, and that tea unless it came in in packages of a certain weight was still subject to a high tariff; it was made free in respect to other packages. It is now proposed to revise that schedule by placing a duty of 4 cents and leaving the rates for other tea items just as they stood, except as to making the tariff applicable to all packages regardless of their weight.

The rates on the so-called "basket" item, that is, the rates covering everything not specified, has been increased to 25 per cent. That is only in keeping with the conditions now obtaining throughout the world.

I have given the principles which govern the application of the tariff to protect Canadians. I put this question to every member of this house: Can Canada in a protected world be other than a protected country?

Mr. YOUNG: Yes.

Mr. BENNETT: Then if that be so it merely means that we are inviting all the protected countries of the world to destroy our own. There is no gainsaying that. It is an unfortunate thing perhaps, but it is true that all the countries of the world are now protected countries, and Canadian products may find access to their markets only by paying very high tolls. Can this country afford to be an unprotected country against the competition of the protected countries of the world?

Some hon. MEMBERS: No.

Mr. BENNETT: We have answered that question in the way I have indicated, and by that answer we stand or fall. By the application of this tariff we are of the opinion that we shall

receive substantially increased revenues as I have indicated in the table I have just given to the house.

INCOME TAX

I next pass to the income tax. We propose to raise additional revenue by increasing the rate on corporations from 8 to 10 per cent—an increase of 2 per cent. The United States rate at the present time is 12 per cent. That additional 2 per cent we will make payable between now and December, free of interest, on the present tax returns. That, we believe, will yield us an additional \$8,000,000.

We also propose that there shall be a modification of the present income tax by providing that a 2 per cent rate shall be levied on the returns of all investments made by non-residents in this country. All other countries of which I am aware have such a tax, usually higher than 2 per cent; but in order to attract, if it be necessary, additional capital to this country for safe investment, we are asking that the rate be only 2 per cent. In other words, those from abroad who have formed companies here or put their money in trust companies for investment will contribute to our revenue 2 per cent of such income derived from their Canadian investments. We believe that is not an unreasonable rate to charge under existing conditions, being, as I have said, somewhat less than that obtaining in other countries. I am reminded by my friend the Minister of National Revenue (Mr. Ryckman) that those who pay on their Canadian income 2 per cent will receive credit in their own country, wherever it may be, so far as we are able to ascertain, certainly in Great Britain, France and the United States—for the tax thus paid in this country upon production of satisfactory evidence that it has been paid. That is the principle adopted by other countries; on investments made in Great Britain by Canadians the tax paid is credited against their tax bill in this country when they come to pay their income tax.

I may add that it is proposed also during the present session entirely to amend the Income Tax Act. Family corporations will be abolished. It is about time. In addition to that we propose to present a new schedule of rates based upon the experience of the commissioner of taxation. Mr. Walters was asked to prepare, with the aid of his officials, what he conceived to be a proper tax rate for this country, having regard to known conditions. He has done so, and the government proposes to adopt his recommendations. The exemptions will be somewhat increased, but it is thought desirable that the rate should start at one per cent, with another one per cent added

with each additional \$1,000 of income until the maximum is reached, which will be 25 per cent. In other words, on the larger incomes 25 cents out of each dollar will be paid to the state.

It may amaze the house to learn—and perhaps it will be interesting to hon. members, as it was to me—that the amount of income tax collected in this country since the tax first was put on the statute books, including the business profits war tax, has reached the huge sum of \$902,000,000 collected at a cost of \$24,000,000.

The rate I have mentioned is a little, but not much, greater than the rate prevailing in the United States. There the exemption is \$1,500 for unmarried persons and \$3,500 for married persons. On the first \$4,000 of income the rate is $1\frac{1}{2}$ per cent; on the next \$4,000 the rate is 3 per cent, and on the balance the rate is 5 per cent, with a surtax to a maximum of 20 per cent on incomes in excess of \$10,000.

In addition, it is proposed that dividends from Canadian corporations, up to \$10,000, shall be exempt from taxation, to the extent of one-half the income of the taxpayer. In other words, if a man has an income of \$20,000 per annum, of which \$10,000 is derived as dividends from Canadian corporations, he will not pay a second tax on his dividends, because it has already been paid through the tax paid by the company. That was the law at one time and still is the law in most countries. The limit, however, is \$10,000, and the exemption granted shall not in any case exceed one-half of the total income of the taxpayer. If a taxpayer has an income of \$30,000 he will be able to obtain credit only for \$10,000 of Canadian dividends.

MR. POWER: May I ask when these changes will come into effect?

MR. BENNETT: On the first day of July; I was just coming to that. The first item I mentioned, that is, the two per cent additional which corporations must pay, will be between now and December 31, without interest, and the other items will become effective on the 1st day of July. The new act will be introduced for the purpose of dealing with next year's taxes. There will be no change in the present individual rates; they will remain for the current year.

POSTAGE RATE

I pointed out a moment ago that the Post Office Department has a very substantial deficit. We propose to meet that deficit first of all by adding one cent to the postage rate. That is, the tax is one cent, as it was and is on drop letters, the full

rate being two cents, one cent for postage and one cent for tax. We propose to make that of universal application and put back the one cent tax where it was before it was taken off a few years ago. It will be recalled that the government of Great Britain declined to reduce the postal rate in that country from three cents because the revenue was required. The Prime Minister of Australia told me this rate was required also in Australia in order to balance their postal budget. So we propose to obtain the additional revenue by adding the one cent tax, which is now applicable only to drop letters in the city, making the rate three cents in the one case and two cents in the other.

We also propose that the Post Office Department, which every year has lost millions of dollars in the transportation of newspapers and magazines, now shall be reimbursed as far as it is possible to do so, by the payment first of all of a cent and a half per pound instead of one cent per pound on all newspapers and periodicals having a net circulation in excess of ten thousand. The first ten thousand will carry the present rate of one cent, and the weekly newspapers will continue to be carried at the rate in force at this time. The new rate will be one and a half cents, subject to the exception of religious, agricultural, scientific and educational papers and magazines. By these methods we believe we will make nearly a balanced budget of the Post Office Department.

SPECIAL EXCISE TAX ON IMPORTS

We have then added an additional one per cent special excise tax on all imports that pass through the customs of the country, free or otherwise, i.e., a special excise tax of one per cent on the invoice price passed by the customs.

SALES TAX

We have also provided for increase of an additional three per cent in the sales tax. This will put it back where it was some years ago, as hon. members will recall. Last year it was reduced one per cent, and one per cent reductions have been made in other years. We are putting it back to four per cent, adding three per cent to the present rate.

STAMP TAX ON CHEQUES

We believe that, with one more addition, these changes will provide a very substantial increase in our revenue. I refer to the stamp tax on cheques. You will recall that the law now provides that cheques for an amount of \$10 and less pay no tax, while cheques for over \$10 pay two cents. Many people

who receive their embossed cheque books have been in the habit of not differentiating between cheques for less than \$10 and cheques for more than that amount. It is now proposed that all cheques shall pay two cents, as it is in England. Probably the embossed cheque will enable everyone supplied with cheque books by the banks to carry on their banking operations without inconvenience, and this will add greatly to the revenue of the country. Referring back to the sale tax for a moment, of course that tax is subject to exemptions, which are somewhat circumscribed as compared to those now provided.

Sir, I think it will be agreed that the record of the performance of the Canadian people during the last fifty or sixty years is such as to command the pride of every Canadian and the admiration of most people throughout the world. We now face a period of world wide depression, and it becomes important for us to face what lies before us with courage, with determination and with faith. I am sure there is no Canadian who has not sufficient faith in his country to believe that we cannot fail in building up a great nation; I am sure there is no Canadian who does not realize that to do so we must have not only faith but courage, persistence and determination. Above all we must have that unity of thought and purpose which is so essential at a time like this. Differences of political opinion we can readily understand, but there is a side to the lives of all of us which is not purely political. We are citizens of a great Dominion, and I think we can with fairness—and I trust with a great deal of assurance—appeal to all Canadians regardless of their political views, to unite in the common purpose of insuring that this country, in the greatest trial it has ever had in peace time does not fail. It must not fail; and if I read a few words which I have extracted from the *Chronicles of the Pilgrim Fathers*, written over three hundred years ago, I think the house will agree with me that they truly indicate the attitude of mind which we Canadians should all take to the problems that confront us. With these words I will conclude what I have to say:

It wonderfully encourageth men in their duties, when they see the burthen equally borne; but when some withdraw themselves, and retire to their own particular case, pleasure or profit, what heart can men have to go on in their business? When men are come together to lift some weighty piece of timber, or vessel, if one stand still and do not lift, shall not the rest be weakened and disheartened? Will not a few idle drones spoil the whole stock of laborious bees? So one idle belly, one murmurer, one complainer, one self-lover, will weaken and dishearten a whole colony. Great matters have been brought to pass, where men have cheerfully, as with one heart, hand and shoulder, gone about it, both in wars, buildings and plantations; but where every man seeks himself, all cometh to nothing.

These words were written some three hundred and ten years ago at a time of great strain and stress in the new colony that had been founded by the efforts and labours of those who, coming out from the old country, landed at or near Plymouth. They are applicable to-day; and if many of the observations I have made are highly disputatious, as they may be, I feel quite certain that in this great crisis that now faces us, men will not for a single moment be governed and guided entirely by political considerations but rather that they will have an enduring faith in their country, a courage and determination that it shall not fail in the great task in which we are engaged, and that all Canadians, men and women of good will, will unite for the common purpose of advancing the common interest of all our citizens.

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BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES^{elson}

MINISTER OF FINANCE

MEMBER FOR RICHMOND-WEST CAPE BRETON, N.S.

IN THE

HOUSE OF COMMONS

APRIL 6, 1932



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, WEDNESDAY, APRIL 6

1932

Mr. Speaker, in moving that you do now leave the Chair for the purpose of enabling the House to resolve itself into Committee of Ways and Means, to make good the supply to be granted to His Majesty for the fiscal year ending March 31, 1933, may I at the outset crave your indulgence for those imperfections which are bound to appear in the discharge of a difficult and onerous task on the part of one who has been Minister of Finance for but a few short crowded weeks.

These imperfections will be the more apparent and my task the more difficult when viewed in the light of the brilliant achievements of my immediate predecessor in office.

This review of the year's financial operations will be made under five headings:—

- (1) A brief reference to events which have so profoundly disturbed international finance and the consequent reactions on our own situation;
- (2) The financial operations and accounts of the Dominion for the fiscal year ended March 31, and in this regard it will be understood that the figures are not final but represent the closest estimates that can be made;
- (3) Canada's trade and commerce;
- (4) The estimated revenue and expenditure for the fiscal year 1932-33, and
- (5) Ways and means for securing the revenues required to meet the estimated expenditures.

The past year was replete with financial difficulties and problems, many without precedent. Canada, in common with other nations, was in the midst of a period of declining prices and diminishing revenues. During the summer, coming events

began to cast their shadow over international finance. The crisis in Germany, following quickly after the collapse in May of the most important bank in Austria, brought sharply to the attention of the world the need for international action upon the vexed question of reparations and inter-governmental war debts. The proposals of President Hoover for a one-year moratorium were heralded as a signal for returning world-confidence but the optimism was unfortunately short-lived. Although the debt holiday was accepted after some delay, its effect was partially lost in the controversy which served only to emphasize the difficulties of the situation. Meanwhile, the climax drew near, brought on by a repatriation of credits and consequent withdrawals of gold from countries whose reserves had already been reduced. Throughout the world, gold was ceasing to be a medium of exchange, becoming instead a commodity to be jealously guarded. The pound sterling became daily subject to test and finally the world was startled by the announcement on September 21 that Great Britain had been forced off the gold standard. She was followed in rapid succession by many other countries. In the United States, problems arose as a result, on the one hand, of hoarding by individuals, and, on the other, of the effort of their great financial institutions to build up their "liquid position." The fall of foreign exchanges and the dumping of securities brought on practically a demoralization of the investment markets.

It goes without saying that these events had a peculiar significance for Canada, a debtor country, having at the moment an unfavourable trade balance. Our exchange could be maintained only so long as financial operations, based upon normal conditions and confidence, were resulting in a net inflow of money. Between October 1, 1931, and March 31, 1932, the Dominion, provinces, municipalities and semi-public bodies, had, it was estimated, \$72,000,000 of debt maturing in New York or London, and in addition, \$80,000,000 of external interest charges had to be provided. Added to these, there were the debts of corporations and individuals. With these obligations to be met, the dislocation of external money markets presented no inconsiderable threat to our credit abroad.

Steps had been taken on September 8 to improve our position in New York by the opening up of negotiations for the sale of \$50,000,000 Dominion guaranteed bonds of the Canadian National Railways which at that time had \$37,000,000 of short-term credits borrowed in that market. The best tender was from a syndicate which purchased \$25,000,000 outright and took an option on the remainder. The issue was popularly priced, and the option was exercised. However, much of the buying was on Canadian account, and it was necessary to arrange

for partial settlement in Canada, the consequence being that to avoid a serious disruption of the already sensitive exchange situation, only part of the New York short-term loan could be paid off, leaving \$18,500,000 to be renewed.

Following the decline in sterling, the Canadian dollar showed continual depreciation. The low was reached on December 16 when the premium on New York funds was $24\frac{7}{8}$ per cent. It was realized that, notwithstanding the high credit position of Canada, any effort to stabilize exchange at par with gold could not, under conditions then existing, be successful. Our policy was therefore directed to accomplishing two results: First, to ensure the prompt payment of all obligations due abroad according to contract and, second, to assist in maintaining normal currency and credit conditions within Canada.

On the 14th of September, the Government commenced buying the gold production of the larger Canadian mines, on a basis approximate to the value of New York funds. This gold has been used to meet obligations in New York and has been sufficient to keep the Dominion out of the exchange market, and at times to provide external gold funds for the National Railways and provinces. From the viewpoint of Canadian commerce, the policy was generally advantageous.

With respect to the internal situation, the needs of industry, of crop-marketing agencies and of public bodies harassed by falling revenues, made it obligatory that credit facilities in Canada continue to operate smoothly and at reasonable cost to borrowers. Also it was imperative that there be no flight from the Canadian dollar through fear of inflation. This could be accomplished only by maintaining domestic confidence and by preserving a reservoir of credit which could be drawn upon to meet any external crisis. It was successfully accomplished under a policy authorized by the Order in Council of October 19, which, while maintaining the redemption rights under the Dominion Notes Act, permitted the export of gold only under licence issuable by the Minister of Finance to chartered banks. On the 19th of October, the note issue, including those issued under the Finance Act, was \$144,468,571, and the gold holdings represented over 45 per cent of the face value of the issue. On the 19th of March, 1932, the note issue, including those issued under the Finance Act, was \$142,896,193; the gold holdings represented over 45 per cent.

The number of licences issued to March 1 was 182, representing gold to the value of \$28,969,566. Of this amount \$19,839,286 was on the Dominion's account, being gold purchased from the mines; the balance was the property of miners, banks and individuals who deal in gold.

Well may Canadians look back with satisfaction over what has been accomplished. All external debts have been met on the due dates. The \$72,000,000 principal amount of external debts, payable by the public bodies of Canada and maturing before March 31, was provided for partly by repayment and partly by renewal, but at this date only \$33,000,000 of the original amount is represented by debt owing abroad, and this balance is so arranged that orderly redemption can be carried out without embarrassment. The holders of Canadian securities with obligations for external payment have received their 80 millions of interest as it became due.

This accomplishment, together with the strength of our banking system and stability of our financial institutions generally, has contributed greatly to the return of confidence, as exhibited in the improvement of the Canadian dollar in the exchange market, and in the higher quotations for Canadian public securities.

REVENUES 1931-32

The financial statements published from month to month during the year have indicated that in common with all other countries in the world we have experienced a marked decline in taxation revenue, which represents approximately 83 per cent of the total receipts of the Government. Of the major sources, the income tax alone has brought in approximately the sum estimated, having yielded \$61,000,000. Customs receipts fell to \$102,800,000, reflecting the drop in the value of imports occasioned by a number of factors, such as the further decline in prices, the unfavourable exchange rate as regards importations from the United States and generally the policy of encouraging production in Canada.

The total receipts from taxes will be \$273,300,000, a statement of which, together with the comparative figures for the previous four years, is now submitted.

TAXATION REVENUES (000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Customs Import Duties.....	\$156,986	\$187,206	\$179,430	\$131,209	\$102,891
Excise Duties.....	57,401	63,685	65,036	57,747	48,688
War Tax Revenues:—					
Banks.....	1,225	1,243	1,408	1,429	1,397
Trust and Loan Companies.....	345	8			
Insurance Companies.....	999	895	74	74	
Delayed Business Profits.....	956	455	173	34	3
Income Tax.....	56,571	59,422	69,021	71,048	61,000 ✓
Sales Tax.....	72,100	63,646	44,859	20,784	41,271
Manufacturers' Stamp, Transportation Taxes, etc.....	18,123	19,361	18,550	13,951	18,098
Total Receipts from Taxation.....	\$364,706	\$395,921	\$378,551	\$296,276	\$273,348 ✓

PUBLIC SERVICE REVENUES

Collections from the various public services, it is estimated, will total \$54,000,000. Post Office, which is the major contributor under this head, will show an increase of \$1,500,000 due to the raise in postage rates and because postage stamps may now be used for certain excise stamp taxes. The Post Office revenues are estimated at \$31,748,000, as against expenditures estimated at \$34,550,000. This does not include disbursements made by other departments on account of Post Office, nor does it, on the other hand, give any credit for handling the mail of the various branches of the public service free of charge.

Interest on investments, being payments from harbour commissions, boards, etc., financed by way of loans from the Dominion, and including the regular payments by Roumania on its loan, it is estimated will total \$10,000,000. In this is included the interest paid by the chartered banks for advances under the Finance Act, which it is estimated will amount to \$360,247, as compared with \$539,984 last year. A five year comparison of the revenue from these public services follows:—

NON-TAX REVENUES

—	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Canada Grain Act.....	\$ 2,677,877	\$ 2,992,540	\$ 2,047,207	\$ 2,179,047	\$ 1,435,054
Canada Gazette.....	81,243	80,214	93,890	71,197	71,229
Canals.....	1,355,677	1,230,333	1,043,647	1,026,671	981,963
Casual.....	3,626,236	4,041,095	4,300,710	3,678,487	4,035,864
Chinese Revenue.....	14,179	18,224	14,345	21,996	11,533
Dominion Lands.....	3,688,595	4,070,339	4,139,104	1,655,401	486,974
Electricity.....	563,913	563,964	546,957	632,151	389,405
Fines and Forfeitures.....	568,140	655,485	748,343	433,716	241,326
Fisheries.....	119,144	109,300	110,724	73,937	40,197
Gas Inspection.....	85,716	92,398	100,763	94,255	75,513
Insurance Inspection.....	123,768	131,626	138,780	148,942	150,993
Interest on Investments.....	10,937,822	12,227,562	13,518,205	10,421,224	9,997,357
Marine.....	191,564	182,810	184,637	199,000	137,358
Mariners' Fund.....	222,048	236,808	209,322	201,768	186,018
Military College.....	20,232	20,204	19,820	19,882	20,045
Military Pension Revenue.....	128,017	155,830	158,881	159,000	159,991
Ordnance Lands.....	14,206	24,830	30,277	29,384	13,769
Patent and Copyright Fees.....	495,792	530,239	574,918	559,646	522,846
Penitentiaries.....	177,933	178,449	181,024	183,288	145,086
Post Office.....	31,562,580	30,611,964	33,345,385	30,212,326	31,747,750
Premium Discount and Exchange.....	594,211	568,846	531,366	521,026	2,754,526
Public Works.....	395,281	414,085	408,151	362,391	358,083
Royal Canadian Mounted Police Officers' Pension	6,144	6,373	6,471	6,357	6,871
Superannuation Fund.....	172	81	5		
Weights and Measures...	361,690	399,247	407,248	419,750	400,455
Total Non-Tax Revenues	\$58,012,180	\$59,542,846	\$62,860,180	\$53,310,842	\$54,370,206

SPECIAL RECEIPTS

Having accepted the principle of the moratorium in respect of inter-governmental debts, our receipts from German reparations annuities were reduced to \$1,001,570 applicable to the period prior to the 1st of July.

This has been supplemented by \$6,000,000 received from the Custodian of Enemy Property and taken into our accounts as a partial offset to the disbursements from the Consolidated Revenue Fund in respect of compensation paid to civilians for damages sustained in the war.

The following is a comparative summary of the total revenues over the last five-year period:—

SUMMARY OF ALL REVENUES
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Receipts from Taxation.....	\$364,706	\$395,921	\$378,551	\$296,276	\$273,348
Non-Tax Revenues.....	58,012	59,543	62,860	53,311	54,371
Consolidated Fund Receipts.....	\$422,718	\$455,464	\$441,411	\$349,587	\$327,719
Special Receipts.....	7,129	5,476	4,771	6,622	7,022
	\$429,847	\$460,940	\$446,182	\$356,209	\$334,741

ORDINARY EXPENDITURES 1931-32

The ordinary expenditures for the year are placed at \$378,700,000, which is approximately \$19,000,000 less than was estimated. The expenditures on services for which provision is made annually by vote actually were \$25,000,000, less than the amounts authorized by Parliament. On the other hand, certain statutory expenditures, such as subsidies to provinces, old age pensions and exchange, exceeded the estimate by \$6,000,000.

Over \$3,635,000 was in connection with exchange, mainly the premium on gold purchased from the mines. This expenditure was largely offset on the revenue side by credits totalling \$2,248,000, resulting from the sale of New York exchange and the discount on sterling purchased to meet London requirements. A further credit of \$506,000 was realized in the purchase below par of sterling securities for sinking funds, which made a net expense for the year on premium, discount and exchange of \$881,000.

A statement by services of expenditure on ordinary account for the last five fiscal years is as follows:—

EXPENDITURES BY SERVICES ON ORDINARY ACCOUNT
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
<i>Finance—</i>					
Interest on Public Debt.....	\$128,903	\$124,990	\$121,566	\$121,290	\$121,163
Subsidies to provinces.....	12,517	12,554	12,497	17,436	13,695
Charges of management.....	885	923	1,016	920	874
Premium, Discount and Exchange.....	42	67	73	19	3,635
Superannuation.....	1,499	1,409	1,321	1,238	1,143
<i>Civil Government—</i>					
Agriculture.....	11,576	11,820	12,258	12,628	12,181
Fisheries.....	6,488	7,202	9,287	9,144	9,275
Immigration.....	1,751	1,974	2,274	2,262	1,922
Indian Affairs.....	2,705	2,632	2,757	2,255	1,857
<i>Interior—</i>					
Dominion Lands and Parks.....	4,083	4,987	5,480	4,970	2,659
Scientific Institutions.....	734	794	817	817	550
Government of Northwest Territories.....	250	318	435	546	376
Government of the Yukon.....	178	184	186	201	184
<i>Justice—</i>					
Administration.....	2,191	2,203	2,199	2,214	2,216
Penitentiaries.....	1,756	1,808	2,561	3,237	2,808
<i>Labour—</i>					
Technical Education.....	966	1,152	413	391	300
Old Age Pensions.....	131	833	1,537	5,658	10,251
General.....	314	365	416	511	353
<i>Legislation—</i>					
Parliament.....	1,996	2,264	2,293	2,428	2,779
Elections.....	45	62	26	2,235	127
<i>Marine—</i>					
Ocean and River.....	3,749	3,683	5,136	3,639	3,824
Lighthouse and Coast.....	2,771	2,813	2,875	3,392	2,620
Scientific Institutions.....	270	288	317	368	417
Steamboat Inspection.....	131	141	140	144	144
<i>Mines—</i>					
.....	624	679	806	789	649
<i>National Defence—</i>					
Militia Services.....	10,152	11,044	11,033	10,953	9,802
Naval Services.....	1,702	1,836	3,013	3,598	3,215
Air Services.....	3,892	5,041	5,921	7,147	4,072
General Services.....	116	103	227	127	4
Government Northwest Territories (Radio).....	143	139	140	218	198
<i>National Revenue.....</i>	11,801	12,877	13,131	13,206	13,033
<i>Pensions, War, etc.....</i>	39,778	41,487	40,407	45,966	48,529
<i>Pensions and National Health—</i>					
Treatment and after-care of returned soldiers.....	6,959	7,902	8,494	9,774	11,244
Health.....	771	924	1,021	943	895
<i>Post Office.....</i>	31,783	33,483	35,037	36,293	34,551
<i>Public Works—</i>					
Charges to Income.....	14,037	17,003	18,134	23,763	16,060
Charges to Collection of Revenue.....	943	940	924	936	774
<i>Railways and Canals—</i>					
Maritime Freight Rates Act, 1927.....	3,471	7,178	7,401	10,327	11,247
Other Charges to Income.....	2,367	1,120	1,280	1,200	895
Charges to Collection of Revenue.....	2,535	2,405	2,460	2,911	2,683
<i>Royal Canadian Mounted Police.....</i>	2,300	2,601	2,902	2,955	3,287
<i>Soldier and General Land Settlement Administration.....</i>	1,334	1,442	1,362	1,300	1,043
<i>Trade and Commerce—</i>					
Canada Grain Act, Exhibitions, etc.. Bounties, copper bars, etc.....	4,016 83	4,476 79	4,894 40	6,586 92	8,137 145
Mail Subsidies and Steamship Sub- ventions.....	845	1,026	1,083	1,323	3,025
<i>Other Expenditures.....</i>	6,385	7,104	5,055	5,342	5,036
Total Ordinary Expenditure.....	\$336,168	\$350,953	\$357,780	\$389,558	\$378,743

CAPITAL EXPENDITURES

The amount voted for capital expenditures was \$18,861,000, of which it is estimated \$16,975,000 was spent in 1931-32. A year ago the expenditures on capital account were \$28,200,000. Savings of \$600,000 were made by the Department of Public Works and \$1,300,000 by Railways and Canals. The principal items of expenditure were: Hudson Bay Railway, \$5,215,000; Welland Canal, \$2,940,000; St. Lawrence River Channel Dredging, \$4,200,000; and the Research Building, Ottawa, \$1,700,000.

A five-year comparison of Capital Expenditures follows:—

CAPITAL EXPENDITURES
(000 omitted)

—	1927-28	1928-29	1929-30	1930-31	Esti- mated 1931-32
Canals.....	\$ 13,763	\$ 13,164	\$ 9,324	\$ 9,842	\$ 3,255
Railways.....	3,592	6,302	6,663	6,371	6,269
Public Works.....	3,281	3,343	6,574	12,009	7,451
	\$ 20,636	\$ 22,809	\$ 22,561	\$ 28,222	\$ 16,975

SPECIAL EXPENDITURES

It is estimated that special expenditures will amount to \$55,100,000, as compared with \$16,789,000 on this account in the previous year. The chief items are wheat bonus and unemployment relief.

The wheat bonus will cost \$11,000,000 as compared with the estimate made originally of \$7,000,000, the increase being due to the fact that the crop proved to be greater than was anticipated.

UNEMPLOYMENT RELIEF ACT, 1930

A reference to the Public Accounts will disclose that as of March 31, 1931, the sum of \$4,432,000 had been paid on account of unemployment relief under the authority of the Act of 1930. In the year now under review, expenditures on the authority of that Act will, it is estimated, amount to \$13,250,000. This brings the total expenditure by the Dominion under the authority of the 1930 legislation to \$17,682,000. A small residue of accounts has still be to adjusted, the estimated amount being \$400,000.

UNEMPLOYMENT AND FARM RELIEF ACT, 1931

Expenditures under the Unemployment and Farm Relief Act of 1931 fall into three divisions:—

- (1) Dominion services, the whole cost of which is borne by our treasury;
- (2) Provincial and municipal public works, to which the Dominion contributes an agreed proportion and
- (3) Direct relief, to which also the Dominion contributes a proportion of the provincial and municipal expenditures.

Under Dominion services, expenditures amounting to \$6,481,000 have been approved, of which \$3,765,000 will be chargeable to the accounts of the fiscal year now ended. The distribution by departments is as follows:—

Public Works.....	\$1,560,000
Railways and Canals.....	568,000
Interior.....	885,000
National Defence.....	71,000
Justice.....	83,200
Board of Railway Commissioners.....	500,000
National Battlefields Commission.....	25,000
Agriculture.....	7,000
Administration.....	65,800
	<u>\$3,765,000</u>

The program of provincial and municipal public works involves an expenditure estimated at \$70,469,675, of which the Dominion's contribution is placed at \$26,586,763. These undertakings are under the control of either provincial or municipal authority, and payments of the Dominion's contribution are made only after the submission of accounts for expenditure, duly certified by the appropriate provincial authority. Under this head, provision is made in the accounts of the fiscal year 1931-32 for disbursements of \$12,278,000. The following statement shows a division of this program of works by provinces:—

UNEMPLOYMENT RELIEF WORKS 1931

Province	Total Works	Dominion Share	Provincial and Municipal Share
Prince Edward Island.....	\$ 272,250	\$ 125,000	\$ 147,250
Nova Scotia.....	2,546,869	999,923	1,546,946
New Brunswick.....	1,911,870	749,692	1,162,178
Quebec.....	14,612,975	4,643,808	9,969,167
Ontario.....	27,869,177	8,790,833	19,078,344
Manitoba.....	6,565,495	2,931,987	3,633,508
Saskatchewan.....	5,519,843	2,759,922	2,759,921
Alberta.....	5,171,225	2,585,612	2,585,613
British Columbia.....	5,999,971	2,999,986	2,999,985
	<u>\$ 70,469,675</u>	<u>\$ 26,586,763</u>	<u>\$ 43,882,912</u>

For direct relief, the federal contribution chargeable to the 1931-32 accounts is estimated at \$8,957,000, the major part of which applies to the drought areas in Saskatchewan.

To sum up, these special expenditures for unemployment and farm relief in the fiscal year 1931-32 will be \$13,250,000 under the legislation of 1930, and \$25,000,000 under the legislation of 1931, a total of \$38,250,000, and the balance of commitments to be carried over into the next fiscal year will be \$16,000,000, not including provision for direct relief beyond the actual disbursements mentioned above. The latter requirements are difficult to estimate as they are governed by the exigencies of the situation in the different provinces and it requires a considerable period after the actual relief payments are made for the accounts for the Dominion's share to reach Ottawa.

PROVINCIAL FINANCING

Having dealt with expenditures for unemployment and farm relief, it may be appropriate, while on the subject, to refer to further assistance rendered to provincial governments by way of loans. It is a matter of common knowledge that for some months various provincial bodies have been unable to issue securities on the New York market, where they have had obligations falling due. In order to protect the credit of Canada as a whole, temporary assistance was given to certain of the provinces in meeting their obligations, but in no instance did the Government undertake the role of banker with respect to the redemption of maturing provincial debts in New York until it was satisfied that every other avenue had been diligently explored by the province without success. The sums advanced under this head total \$11,637,190. In addition to this amount \$10,794,000 was loaned for internal purposes, including provincial share of relief works. In these instances the Government's assistance was given as a part of its relief program on the urgent representations of the provinces that in existing circumstances their commitments could not be fulfilled without such aid from the Dominion. As security, the Dominion holds one-year treasury bills of the provinces and the rate of interest charged is that which the Dominion had to pay for the money. The loans by provinces are:—

	Loans covering obligations maturing in New York	Loans for public works and relief	Loans for govern- mental services	Total
Manitoba.....	\$ 1,189,185	\$ 1,794,733		\$ 2,983,918
Saskatchewan.....	3,934,341	500,000	\$ 6,500,000	10,934,341
Alberta.....	3,142,000	1,000,000		4,142,000
British Columbia.....	3,371,664	1,000,000		4,371,664
	\$11,637,190	\$ 4,294,733	\$ 6,500,000	\$22,431,923

Including loans and expenditures, Dominion disbursements on account of unemployment relief and assistance to the provinces, will total \$60,681,923 as follows:—

Act of 1930.....	\$ 13,250,000
Act of 1931:—	
Federal Services.....	\$ 3,765,000
Provincial and Municipal Works.....	12,278,000
Direct Relief.....	8,957,000
	25,000,000
Loans to Provinces (not including advance payments on account of Dominion Contributions):	
Manitoba.....	2,983,918
Saskatchewan.....	10,934,341
Alberta.....	4,142,000
British Columbia.....	4,371,664
	22,431,923
	<u>\$ 60,681,923</u>

A comparative statement showing special expenditures during the last five fiscal years follows:—

STATEMENT OF SPECIAL EXPENDITURES
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Adjustment of War Claims.....	\$ 1,861	\$ 120	\$ 95	\$ 110	\$ 86
Cost of Loan Flotations.....	13	11	17	193	1,336
Miscellaneous Charges.....	1,692	2,056	3,027	2,955	3,407
Reparations:—Claims for compensation.....			6,700	500	1,027
Unemployment Relief, 1930.....				4,432	13,250
Unemployment Relief, 1931.....					25,000
Wheat Bonus.....					11,032
Reduction of Loans to Soldier Settlers.....				8,599	
	<u>\$ 3,566</u>	<u>\$ 2,187</u>	<u>\$ 9,839</u>	<u>\$ 16,789</u>	<u>\$ 55,138</u>

LOANS AND ADVANCES NON-ACTIVE

Advances to certain corporations, being non-interest producing, are treated as expenditures in estimating our debt position. These advances were three in number: \$1,360,000 to the Merchant Marine and Canadian National (West Indies) Service, \$1,495,000 to Quebec Harbour Commission, and \$534,000 in payment of interest which the Dominion guaranteed on bonds issued by the Harbour Commissioners of Montreal in connection with the Harbour Bridge. There is now presented a five-year summary of expenditures under the heading of Loans and Advances, Non-Active:—

STATEMENT OF LOANS AND ADVANCES, NON-ACTIVE
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Loans to Canadian National Railways.....			\$ 2,933		
Loans to Canadian National Steamships.....	\$ 1,000	\$ 758	2,491	\$ 1,827	\$ 1,361
Loans to Quebec Harbour Commissioners.....	1,458	2,888	2,821	3,491	1,495
Miscellaneous Non-Active Accounts.....			17	170	534
Accounts carried as Active Assets transferred to Non-Active.....	16,036	10,000			
	\$ 18,494	\$ 13,646	\$ 8,262	\$ 5,488	\$ 3,390

The total of all expenditures for the year is \$454,246,000. A comparative statement, summarising the expenditures by divisions, is now submitted:—

SUMMARY OF ALL EXPENDITURES
(000 omitted)

	1927-28	1928-29	1929-30	1930-31	Estimated 1931-32
Ordinary Expenditure.....	\$336,168	\$350,953	\$357,780	\$389,558	\$378,743
Capital.....	20,636	22,809	22,561	28,222	16,975
Special.....	3,566	2,187	9,839	16,789	55,138
Loans and Advances non-active.....	18,494	13,646	8,262	5,488	3,390
	\$378,864	\$389,595	\$398,442	\$440,057	\$454,246

Having detailed the revenues from all sources and the expenditures under the appropriate divisions, the net result of the accounts for the year may now be indicated. With ordinary revenues of \$327,719,000 and ordinary expenditures amounting to \$378,743,000, the resulting deficit on ordinary account is \$51,024,000, which has occurred as a consequence of the decreased yield from taxation and notwithstanding the reductions made in expenditures. Special expenditures, including \$49,282,000 for unemployment relief and wheat bonus as previously detailed, total \$55,138,000. As an offset to this amount, \$7,022,000 was received in special revenues, leaving a balance not provided from income of \$48,116,000. In addition, there are the capital expenditures of \$16,975,000 and loans and advances non-active of \$3,390,000. The amount, therefore, of the increase in debt for the year is \$119,505,000.

1931 CONVERSION LOAN

Reference was made in the Budget last year to the Conversion Loan campaign which had just closed. As a matter of record, the final figures in connection with this debt operation are now presented: Of the \$1,084,800,000 in bonds eligible for conversion, \$638,600,000, or sixty per cent, were converted. This operation did not involve any change in the amount of public debt outstanding, as the exchange was made at par. Details of the conversion are:—

Loans Eligible for Conversion	Amount Outstanding May 1, 1931	Amount Converted
5 per cent War Loan maturing October 1, 1931.....	\$ 52,929,600	\$ 38,625,700
5½ per cent Renewal Loan maturing November 1, 1932.....	73,323,150	37,523,200
5½ per cent Victory Loan maturing November 1, 1933.....	446,659,950	276,688,100
5½ per cent Victory Loan maturing November 1, 1934.....	511,910,650	285,772,300
	\$1,084,823,350	\$ 638,609,300

While the conversion had no immediate effect on the annual interest charges, the Government will benefit substantially within the next few years by reason of the lower interest rates obtained. This is indicated by the following statement:—

Fiscal Year	Saving in Interest
1932-33.....	\$ 193,128
1933-34.....	568,360
1934-35.....	3,335,241
1935-36 and annually thereafter.....	6,192,964

The time for this conversion loan was admirably chosen. Its execution was attended with outstanding success, and its effect upon our financial position has been marked. That this is so is due entirely to the vision of the Prime Minister whose conception it was and under whose guidance it was conducted. The total expenses in connection with the Conversion Loan were slightly over one-half of one per cent.

The conversion loan operations had resulted in 70 per cent of the October 1st maturity being refunded. There remained only about \$13,000,000 to be paid on the due date. The state of the public finances did not permit this to be met out of current revenues. Consequently in August, Canadian institutions were invited to tender for the purchase of all or part of \$13,000,000 to be absorbed into the 1946-56 Conversion Loan series at the interest rate of 4½ per cent. Tenders were accepted at par for \$4,500,000. The balance was arranged through temporary credits with the Bank of Montreal, which were later paid off from the proceeds of the National Service Loan.

TEMPORARY BORROWINGS

In September last the Canadian National Railways required funds in New York to meet maturing credits and these were financed directly by the Government by an issue of \$18,500,000 in three months' $2\frac{1}{4}$ per cent Treasury Bills, which were sold to the Chase National Bank of New York at par. At the same time, \$500,000 was borrowed for purposes of the Dominion, making the total \$19,000,000. When the bills matured in December, \$1,000,000 were redeemed and the balance renewed for ninety days at 5 per cent; subsequently \$3,000,000 were redeemed, leaving \$15,000,000 still outstanding.

Pending flotation of the National Service Loan in November, it was necessary to borrow temporarily on treasury bills from the chartered banks of Canada, an aggregate amount of \$34,800,000. These bills have since been retired.

NATIONAL SERVICE LOAN

A major operation for the year was the flotation of the 5 per cent National Service Loan in November. The subscription lists were opened on November 23 with provision that they might remain open until December 12. The bonds were offered for public subscription in two maturities at a price of 99.25 and accrued interest for the five-year bonds, and at 99 and accrued interest for the ten-year bonds maturing in 1941. The campaign was under the direction of a Dominion-wide management committee, under the chairmanship of Sir Charles Gordon, President of the Bank of Montreal.

The offering was \$150,000,000 and, while provision was made for the campaign to extend over a period of twenty days, the issue met with such popular response, that the amount was substantially over-subscribed and the lists closed on November 30; but, to meet popular demand, subscribers on November 30 were allowed to offer in payment cheques dated December 1. The accepted over-subscription was \$71,198,200, the total issue being \$221,198,200, of which, \$79,535,200 was for the 1936 maturity and \$141,663,000 for the 1941 maturity. The total number of subscriptions was 109,000, indicating that the loan was widely distributed. While the banks made application for \$30,000,000 the Government took the view that it was in the national interest to give the preference to small investors; therefore, when subscriptions far exceeded the \$150,000,000 offering, the banks were asked to withdraw their applications.

The following statement indicates the extent and nature of the distribution:—

NATIONAL SERVICE LOAN
DISTRIBUTION OF SUBSCRIPTIONS

	Number	Amount
Subscriptions of less than \$1,000.....	55,761	\$ 21,629,900
Subscriptions of \$1,000 to \$5,000 inclusive.....	48,649	88,889,900
Subscriptions of \$5,100 to \$10,000 inclusive.....	2,937	24,106,900
Subscriptions of \$10,100 to \$25,000 inclusive.....	1,013	18,154,200
Subscriptions of \$25,100 to \$50,000* inclusive.....	310	12,815,900
Subscriptions of over \$50,000*.....	241	52,918,200
Unallocated.....		2,683,200
	108,911	\$ 221,198,200

* Largely made by institutions.

In making announcement on the night of November 29 of the acceptance of the over-subscription which, due to the influx of applications on the last day, turned out to be much larger than was then anticipated, it was stated that the Government would put into motion a plan whereby the excess would be used for debt reduction. As of this date, \$50,745,000 of debt has been taken up, while over \$11,600,000 is temporarily invested in provincial treasury bills of the four Western Provinces taken in connection with New York debts.

The expense of raising the National Service Loan, including commissions, advertising, printing and delivery of securities, was less than one per cent.

Canadian National Railway Company

The annual report of the Canadian National Railway Company for the year 1931 having already been presented to the House and the whole railway problem being under review by a Royal Commission, remarks under this head will be confined to a brief statement of the operating results and capital requirements in the year and the financing arranged.

The year 1931 was marked by a further sever drop in gross earnings to a low point since 1919, and notwithstanding reduced operating expenses, the System's operations (excluding Eastern Lines) showed a net income deficit of \$84,262,000 after taking into consideration all debt charges, an increase of \$23,000,000 over 1930. Deducting the interest charged but not paid upon debt to the Government represented by loans and advances carried in the public accounts as non-active assets, the loss amounted to \$52,200,000 and this is the amount which might be considered as the addition to the country's deficit for the year, interest charges in respect of Government loans having already been absorbed in the public accounts.

In addition to provision for the deficit, it was necessary to provide a further large sum for capital expenditures and the retirement of railway debt. While new capital expenditures were greatly curtailed in 1931, commitments arising out of expenditure programs for branch lines, terminals and hotels undertaken prior to 1930, were still large. The total financial provision which the Government was required to make, either directly or indirectly, for expenditures of the Canadian National Railways in 1931, was \$108,976,265, made up as follows:—

Deficit, Canadian National Railways, excluding	
Eastern Lines.....	\$ 52,255,676
Deficit, Eastern Lines.....	8,712,762
	<hr/>
Capital Expenditures including new equipment.....	\$ 60,968,438
Debt Retirement.....	33,990,106
Discount on Securities Issued.....	9,791,691
	4,226,030
	<hr/>
	<u>\$108,976,265</u>

Of these requirements, \$41,282,899 are being furnished by way of advances by the Government out of the proceeds of the National Service Loan and temporary borrowings in New York already referred to. The deficits on the Eastern Lines, amounting to \$8,712,762 have, in accordance with the provisions of the Maritime Freight Rates Act, been paid as an expense of the Government and are included in the statement of expenditures submitted. The balance of the requirements, namely \$58,980,604, including discount, was provided from the proceeds of Canadian National Railway bonds guaranteed by the Government. These proceeds came, in part, from an issue (dated February 1, 1931) made in the previous fiscal year and, in part, from the \$50,000,000 4½ per cent twenty-year bonds, to which reference has already been made, sold in New York early in September last at a cost of 4.79 per cent. Only \$38,589,599.15 of this issue was applicable to 1931 expenditures, as \$11,410,400.85 of the bonds were sold to redeem a temporary bank loan carried over from the previous year. The guarantee of the securities was authorized by legislation of 1931.

The advances made by the Government stand as to \$29,910,400.85 under authority of the Canadian National Railways Financing and Guarantee Acts of 1931, and as to \$11,372,498.86 under the Supplementary legislation recently passed by Parliament to provide for expenditures up to the end of 1931 in excess of amounts authorized for such purposes.

These advances have been made from the Treasury under legislation which anticipates repayment through the sale of securities guaranteed by the Government. It may, of course, transpire that such repayment will not be practicable and that the Company will find it is unable to assume carrying charges on this debt. It has not been considered advisable, however,

to take these advances into our accounts as expenditures, pending the determination of policy with reference to the future financing of the Company after the report of the Royal Commission on Railways has been received and considered.

The estimate which is before the House for the operations of the Canadian National Railways for the year 1932, is \$61,500,000, to which \$6,217,000 is to be added for Eastern Lines deficit, after crediting the 20 per cent reduction in tolls, making a total of \$67,717,000. Of this amount, about \$49,000,000 represents the estimated deficit after paying interest on funded debt held by the public but without provision for interest on the Government's capital in the System. The total shows a considerable reduction from the requirements in the past few years but it is still a very large figure and constitutes one of the country's major financial problems. Outside of the interest on the national debt of the Dominion, it is the largest single item in the country's budget and represents over one-seventh of the money which the Government is called upon to raise for all current purposes.

Indirect Liabilities of the Government

The amount of railway securities presently outstanding bearing the guarantee of the Dominion of Canada, is \$969,683,288, to which should be added \$31,235,118 of securities guaranteed for other enterprises, making a total of guaranteed obligations outstanding as of March 31, 1932, of \$1,000,918,406, as compared with \$954,917,112 a year ago, a net increase of \$46,001,294. The total funded debt of the Canadian National Railways to the public now amounts to \$1,274,587,745.

Steamship Companies

The steamship companies operated on behalf of the Government, which are budgeted for on the basis of actual cash outlay required in the year, received advances from the Dominion Treasury amounting to \$1,360,853, divided as follows: Canadian Government Merchant Marine, Limited, \$444,285, and Canadian National (West Indies) Steamships, Limited, \$916,568.

Harbour Commissions

Advances to Harbour Commissions in 1931-32 totalled \$14,148,540. The chief expenditure, amounting to approximately \$5,800,000, was made in Saint John where a reconstruction program was necessary on account of the disastrous fire which occurred there. The balance of the expenditure consisted mainly of commitments in connection with the completion of development programs undertaken prior to 1930.

The following statement shows the amounts advanced to each Commission in 1931-32 and the total advances to date:—

ADVANCES TO HARBOUR COMMISSIONS

	Advances 1931-32	Advances to date
Chicoutimi.....	\$ 465,000	\$ 2,626,000
Halifax.....	2,752,000	7,593,000
Montreal—Harbour.....	1,412,000	57,389,000
“ —Bridge (deficit).....	534,000	704,000
New Westminster.....	170,685	170,685
Quebec.....	1,495,000	25,924,995
Saint John.....	5,763,855	9,170,855
Three Rivers.....	747,000	2,426,600
Vancouver.....	809,000	21,416,900
	\$ 14,148,540	\$127,422,035

The Quebec Commission does not pay any interest and consequently its loans are treated as non-active assets. This also applies to the advances made to enable the Harbour Commissioners of Montreal to meet the deficit on the Harbour Bridge. The other loans have paid interest and are carried as active assets, although it may be observed that some adjustments may prove necessary in this respect in the near future.

Canadian Farm Loan Board

The loaning operations of the Canadian Farm Loan Board were again financed from the Dominion Treasury by the purchase of \$1,500,000 of the Board's 5 per cent bonds at par. In addition \$107,603 was paid for capital stock of the Board in accordance with the provisions of the Canadian Farm Loan Act. The total capital furnished by the Dominion Government for the Board's operations since its inception amounts to \$7,216,465, divided as follows:—

Initial Capital.....	\$ 5,050,000
Purchase of Bonds.....	1,800,000
Purchase of Capital Stock.....	366,465
	\$ 7,216,465

WHEAT MARKETING GUARANTEES

Under the authority of section 3 of chapter 58, Statutes of 1931, Orders in Council concerning the marketing of the Western grain crops were made. The House will recall the problems which the Canadian Co-Operative Wheat Producers, Limited, faced in financing its operations in connection with the 1930 crop. The Government, believing that it was in the national interest to protect the credit of the marketing agencies in such a way that the grain might be marketed to the general advantage of growers, had given an undertaking to the seven chartered

banks concerned, which then made available the necessary credits. The undertaking was given status by Order in Council P.C. 2238, dated September 12, 1931. This undertaking has served its purpose, and without cost to the Treasury. Based upon present market prices, the expectation is that, when all accounts are settled, the Canadian Co-Operative Wheat Producers, Limited, will be able to settle all advances without recourse being had to the Dominion's guarantee.

With respect to the 1931 crop, the three semi-public marketing agencies in the prairie provinces found their position a perilous one at the commencement of the marketing season. The assets usually pledged against bank credits were already encumbered, thus restricting the credit available. Representations on their behalf were made to the Dominion Government by the Premiers of the three provincial governments concerned, and, as a result, an Order in Council was passed on the 12th of September, 1931, authorizing Dominion guarantee of credits under certain conditions to the Manitoba Pool Elevators, Limited; Saskatchewan Pool Elevators, Limited; and Alberta Pool Elevators, Limited, calculated against their respective working capital at the commencement of the 1931 marketing season. However, the certificates of the chartered accountants directed to establish the amount of working capital showed that the proposed basis would not be a satisfactory one, and, therefore, a subsequent Order in Council was issued establishing specific amounts which the Dominion would guarantee under certain conditions. The amounts were: Manitoba Pool \$1,250,000; Saskatchewan Pool \$12,000,000; Alberta Pool \$7,500,000. This plan has functioned to the satisfaction of all concerned and no liability has developed against the Consolidated Revenue Fund.

The operations of the year are summarized in a condensed cash statement, which now follows:—

CONDENSED CASH STATEMENT, 1931-32 (ESTIMATED)

RECEIPTS

Cash balances in banks March 31, 1931.....	\$	44,599,432	02
Loans and advances repaid—			
Provincial Housing Loans.....	\$	150,500	00
Government of Greece.....		115,000	00
Soldier Settlement Loans.....		783,900	00
		<hr/>	1,049,400 00
Loan Proceeds—			
National Service Loan.....		219,185,056	00
Conversion Loan.....		4,500,000	00
Temporary Loan, New York.....		19,000,000	00
		<hr/>	242,685,056 00
Annuities, Insurance, Superannuation Funds—net			
".....		10,130,581	80
Bullion and Specie, reduction in free holdings.....		7,883,448	00
Royal Canadian Mint bullion advance account—reduction.....		1,084,964	81
Revenues 1931-32.....		334,740,468	00
		<hr/>	<hr/>
	\$	642,173,350	63

CONDENSED CASH STATEMENT, 1931-32 (ESTIMATED)—Concluded

PAYMENTS

Reductions in Liabilities—		
Post Office Savings Bank withdrawals.....	\$	831,855 58
Post Office Money Orders, etc., redeemed.....		734,193 82
Redemption of Debt—		
War Loan 1916-31.....	\$	12,627,000 00
Temporary Loan, N.Y.....		4,000,000 00
Public Service Loan, N.Y. 1916-31.....		24,924,000 00
Renewal Loan 1922-32.....		1,350,000 00
Miscellaneous Matured Stock and Bonds.....		82,072 04
		<hr/> 42,983,072 04
Bond Purchase Account.....		3,368,870 50
Bonds and Stock acquired for sinking funds.....		3,834,185 00
Matured Coupons redeemed.....		127,782 34
Cost of Loan Flotations—Unamortized.....		4,491,521 28
Investments—Active Assets—		
Provincial Governments, Relief Act, 1931.....	\$	22,431,923 00
Canadian National Railways.....		41,282,899 00
Harbour Commissions.....		12,119,540 00
Canadian Farm Loan Board.....		1,607,603 00
		<hr/> 77,441,965 00
Miscellaneous Accounts.....		912,539 38
Expenditures, 1931-32.....		454,246,018 00
Cash Balances in banks, March 31, 1932.....		53,201,347 69
		<hr/> <hr/> \$ 642,173,350 63

Continuing the practice introduced last year, the cash statement is followed by the balance sheet. The active assets are made of of cash balances and specie accounts, loans and advances which are realizable or income-producing, and other miscellaneous accounts. These assets are taken as an offset against the gross liabilities in arriving at the net debt.

Total liabilities as at March 31, 1932, being estimated at \$2,832,355,834, and active assets at \$451,238,348, the resulting net debt figure is \$2,381,117,486.

The balance sheet follows:—

LIABILITIES, MARCH 31, 1932 (ESTIMATED)

Dominion Notes Outstanding.....	\$	157,300,000 00
Bank Circulation Redemption Fund.....		6,811,792 41
Insurance and Superannuation Funds—		
Government Annuities.....	\$	26,643,412 41
Insurance Fund, Civil Service.....		7,026,451 72
Insurance Fund, Returned Soldiers.....		10,340,486 30
Retirement Fund.....		6,888,204 08
Superannuation Funds.....		39,488,306 22
		<hr/> 90,386,860 73
Trust Funds—		
Indian Funds.....	\$	13,591,800 48
Common School Funds.....		2,668,449 17
Contractors' Securities Deposits.....		560,000 00
Other Trust Funds.....		2,163,541 17
		<hr/> 18,983,790 82
Contingent and Special Funds.....		1,847,315 00
Post Office Money Orders, Postal Notes, etc., outstanding.....		3,401,154 10
Province Accounts.....		9,623,816 77
Post Office Savings Bank Deposits.....		23,918,371 39
Temporary Loan.....		15,000,000 00
Funded Debt—		
Unmatured.....	\$	2,501,782,733 23
Matured but not presented for payment....		1,000,000 00
		<hr/> 2,502,782,733 23
Interest coupons matured but not presented for payment.....		2,300,000 00
		<hr/> <hr/> \$ 2,832,355,834 45

ACTIVE ASSETS, MARCH 31, 1932 (ESTIMATED)

Cash balances in banks.....	\$	53,201,347 69
Specie Reserve.....	\$	64,600,000 00
Advances to banks under Finance Act.....		32,000,000 00
		<hr/>
Loans to provinces for housing.....		10,521,187 72
Loans to provinces, Relief Act, 1931.....		22,431,923 00
		<hr/>
Loans to Foreign Governments—		
Greece.....		6,525,000 00
Roumania.....		23,969,720 00
		<hr/>
Loans to Harbour Commissioners—		
Chicoutimi.....		2,626,000 00
Halifax.....		7,593,000 00
Montreal.....		57,389,000 00
Saint John.....		9,170,855 00
Vancouver.....		21,416,900 00
Three Rivers.....		2,426,600 00
New Westminster.....		170,685 91
		<hr/>
Canadian Farm Loan Board.....		100,793,040 91
Soldier and General Land Settlement.....		7,216,465 00
Seed Grain and Relief Advances.....		47,366,985 44
Canadian National Railways.....		2,391,971 84
Bond purchase Account.....		41,282,899 00
		<hr/>
Advances for Working Capital and Miscellaneous—		
Advances to Royal Canadian Mint.....	\$	3,223,200 00
Canadian Government Railways Open and		
Stores Accounts.....		15,748,921 60
Miscellaneous.....		3,020,994 36
		<hr/>
Deferred Debits—		
Unamortized discount and commission on loans.....		21,993,115 96
		<hr/>
	\$	451,238,347 90
		<hr/>

NON-ACTIVE ASSETS, MARCH 31, 1932 (ESTIMATED)

Canadian National Railways.....	\$	614,406,239 42
Canadian National Steamships.....		16,911,482 55
Harbour Commissioners—		
Quebec.....	\$	25,924,995 68
Montreal and Three Rivers.....		783,452 56
		<hr/>
Seed Grain and Relief Advances.....		26,708,448 24
Soldier and General Land Settlement.....		782,464 71
Miscellaneous Advances.....		16,468,957 95
		<hr/>
Capital Accounts—		
Canals.....	\$	237,033,725 90
Railways.....		441,960,292 77
Public Buildings, Harbour and River Im-		
provements.....		243,349,535 87
Military Property and Stores.....		12,035,420 50
Territorial Accounts.....		9,895,947 68
		<hr/>
Railway Accounts (old).....		944,274,922 72
Consolidated Fund Balance as at debit, March 31, 1932.....		88,398,828 78
		<hr/>
Net Debt, March 31, 1932	\$	672,168,154 95
		<hr/>
	\$	2,381,117,486 55
		<hr/>

Completing the statistical tables to be submitted, there are those showing by maturity dates the direct obligation of the Dominion in the form of unmatured funded debt and the indirect obligation represented by guaranteed securities outstanding in the hands of the public, as follows:—

UNMATURED FUNDED DEBT AS AT MARCH 31, 1932, AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate %	Where Payable	Amount of Loan		Interest Charges 1932-33	
			\$	cts.	\$	cts.
1932—Nov. 1.....	5½	Canada.....	34,449,950	00	1,894,747	25
Dec. 1.....	4	Canada and New York.	40,000,000	00	1,600,000	00
1933—Nov. 1.....	5½	Canada.....	169,971,850	00	9,348,451	75
1934—June 1.....	3½	London.....	23,467,206	27	821,352	22
July 1.....	5	Canada.....	33,293,470	85	1,664,673	54
Nov. 1.....	5½	Canada.....	226,138,350	00	12,437,609	25
1935—Aug. 1 (a)...	5	Canada and New York.	874,000	00	43,700	00
1936—Feb. 1.....	4½	New York.....	40,000,000	00	1,800,000	00
Nov. 15.....	5	Canada.....	79,535,200	00	3,976,760	00
1937—Mar. 1 (a)...	5	Canada and New York.	90,166,900	00	4,508,345	00
Dec. 1 (a)...	5½	Canada.....	236,299,800	00	12,996,489	00
1938—July 1.....	3	London.....	8,071,230	16	242,136	90
July 1.....	3	London.....	18,250,000	00	547,500	00
July 1.....	3	London.....	10,950,000	00	328,500	00
July 1.....	3½	London.....	15,056,006	66	526,960	23
1940—Sept. 1.....	4½	Canada.....	75,000,000	00	3,375,000	00
1941—Nov. 15.....	5	Canada.....	141,663,000	00	7,083,150	00
1943—Oct. 15.....	5	Canada.....	147,000,100	00	7,350,005	00
1944—Oct. 15.....	4½	Canada.....	50,000,000	00	2,250,000	00
1946—Feb. 1.....	4½	Canada.....	45,000,000	00	2,025,000	00
1947—Oct. 1.....	2½	London.....	4,888,185	64	122,204	64
1950—July 1.....	3½	London.....	137,058,841	00	4,797,059	43
1952—May 1.....	5	New York.....	100,000,000	00	5,000,000	00
1956—Nov. 1.....	4½	Canada.....	43,125,700	00	2,102,377	87
1957—Nov. 1 (b)...	4½	Canada.....	37,523,200	00	2,063,776	00
1958—Nov. 1 (c)...	4½	Canada.....	276,688,100	00	15,217,845	50
1959—Nov. 1 (d)...	4½	Canada.....	285,772,300	00	15,717,476	50
1960—Oct. 1.....	4	London.....	93,926,666	66	3,757,066	67
Oct. 1.....	4	New York.....	100,000,000	00	4,000,000	00
			2,564,170,057	24	127,598,186	75

Payable in Canada.....	\$ 1,881,461,020 85
Payable in Canada and New York.....	131,040,900 00
Payable in New York.....	240,000,000 00
Payable in London.....	311,668,136 39

\$ 2,564,170,057 24

Less bonds and stocks of the above loans held as

Sinking Funds.....	62,387,324 01
--------------------	---------------

\$ 2,501,782,733 23

(a) Tax free in Canada.

(b) 5½% to Nov. 1, 1932.

(c) Tax free to Nov. 1, 1933, 5½% to Nov. 1, 1933.

(d) 5½% to Nov. 1, 1934.

BONDS GUARANTEED BY DOMINION GOVERNMENT AS AT
MARCH 31, 1932

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$ cts.
Sept. 1, 1934.....	Canadian Northern.....	4	17,060,333 33
Feb. 15, 1935.....	Canadian Northern.....	4½	17,000,000 00
Sept. 1, 1936.....	Grand Trunk.....	6	24,734,000 00
Oct. 1, 1940.....	Grand Trunk.....	7	24,492,000 00
Dec. 1, 1940.....	Canadian Northern.....	7	24,282,000 00
July 1, 1946.....	Canadian Northern.....	6½	24,636,000 00
April 1, 1948.....	New Westminster Harbour Comm.....	4½	700,000 00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000 00
Aug. 1, 1952.....	Saint John Harbour Comm.....	5	667,953 04
July 10, 1953.....	Canadian Northern.....	3	9,359,996 72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000 00
Sept. 15, 1954.....	Canadian National.....	4½	26,000,000 00
Mar. 1, 1955.....	Canadian National (West Indies Steamships).....	5	9,400,000 00
June 15, 1955.....	Canadian National.....	4½	50,000,000 00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000 00
July 1, 1957.....	Canadian National.....	4½	65,000,000 00
July 20, 1958.....	Canadian Northern.....	3½	7,896,563 49
May 4, 1960.....	Can. Nor. Alberta.....	3½	3,149,998 66
May 19, 1961.....	Can. Nor. Ontario.....	3½	34,229,996 87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000 00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848 00
Dec. 1, 1968.....	Canadian National.....	4½	35,000,000 00
July 1, 1969.....	Canadian National.....	5	60,000,000 00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000 00
Nov. 1, 1969.....	Harbour Comm. of Montreal.....	5	19,000,000 00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000 00
By tenders or drawings.	Canadian National.....	2	29,452,409 67
Various dates 1932-54.	City of St. John Debs. assumed by St. John Harbour Commis- sioners.	various	1,467,164 96
Serial—Feb. 1, & Aug. 1, 1932-1938.	Canadian National Equip. G.....	5	9,750,000 00
Perpetual.....	Grand Trunk Guaranteed Stock..	4	60,833,333 33
".....	Grand Trunk Debenture Stock..	5	20,782,491 67
".....	Great Western Debenture Stock..	5	13,252,322 67
".....	Grand Trunk Debenture Stock..	4	119,839,014 33
".....	North. Ry. of Canada Deb. Stock	4	1,499,979 67
			1,000,918,406 41

TRADE OF CANADA

Turning now to the matter of external trade, Canada has continued to share in the pronounced shrinkage, both in volume and value, that has marked the commerce of the world. The following is a statement of Canada's foreign trade for the first eleven months of the last fiscal year, as compared with the same period in 1930-31:—

—	Eleven months ended Feb. 28, 1931	Eleven months ended Feb. 29, 1932	Decrease
	(000 omitted)		
	\$	\$	\$
Imports.....	831,232	521,056	310,176
Exports, Canadian produce.....	744,669	536,595	208,074
Re-exports, foreign produce.....	16,038	9,951	6,087
	1,591,939	1,067,602	524,337

The figures indicate a reduction in the dollar value of total trade of approximately 33 per cent, which corresponds fairly closely to the average fall in world trade. Notwithstanding this unfavourable aspect of our external commerce, a very distinct improvement has taken place in the conversion of an unfavourable into a favourable balance. Starting last June, our exports commenced to exceed the imports and a surplus of exports over imports has continued month by month to date. Taking the last eleven months' figures as a basis, the balance has been favourable to the extent of \$25,491,000, as compared with an unfavourable balance of \$70,524,000 in the previous corresponding period. Comparative figures are as follows:—

(000 omitted)

Eleven months ended	Imports	Exports	Excess of Imports over Exports
	\$	\$	\$
February 28, 1930.....	1,135,248	1,053,246	82,002
February 28, 1931.....	831,232	760,708	70,524
			Excess of Exports over Imports
February 29, 1932.....	521,056	546,547	25,491

In the eleven months' period ended February 29, 1932, the latest date for which statistics of trade by countries are available, Canada's imports from the British Empire amounted to 131 million dollars, representing 25.3 per cent of total imports and showed a decrease of 56 million dollars from the previous corresponding period. Our exports to the British Empire are shown at 204 million dollars representing 37.4 per cent of total exports, a drop in the period of 71 million dollars.

The imports from the United Kingdom decreased 43 million dollars and exports dropped 44 million dollars.

A summary showing the imports from and exports to the principal parts of the British Empire is as follows:

TRADE WITH BRITISH EMPIRE—FIRST ELEVEN MONTHS

(000 omitted)

	Imports 1931-32	Decrease from 1930-31	Exports 1931-32	Decrease from 1930-31
	\$	\$	\$	\$
United Kingdom.....	94,579	42,842	163,152	43,922
Australia.....	5,357	1,495*	4,688	1,605
British South Africa.....	4,259	1,091*	8,011	1,554
New Zealand.....	938	5,347	3,433	8,777
West Indies.....	10,995	2,359	7,694	3,657
Newfoundland.....	1,465	1,007	6,320	3,987
Other.....	14,247	7,526	11,266	7,808
Total British Empire.....	131,840	56,495	204,564	71,310

*Increase.

Our largest trade continues to be with the United States, to which exports in the eleven months ended February 29, 1932, amounted to 227 million dollars and from which imports were 317 million dollars, an unfavourable balance of 90 million dollars to Canada on the interchange. While exports declined 32.5 per cent in the period, our purchases from the United States have decreased 40.6 per cent.

A statement is submitted to show the percentage of our trade with the British Empire, United States and other countries in the first eleven months of the fiscal year, and for purposes of comparison to indicate the trend, similar percentages for the previous fiscal year.

TRADE OF CANADA

	Imports		Exports	
	Fiscal year 1930-31	First 11 months 1931-32	Fiscal year 1930-31	First 11 months 1931-32
	%	%	%	%
British Empire.....	22.6	25.3	36.6	37.4
United States.....	64.5	60.9	43.7	41.5
Other Countries.....	12.9	13.8	19.7	21.1
	100.00	100.00	100.00	100.00

Having reached the conclusion that the interests of both contracting parties would be promoted by the negotiation of an entirely new convention, Canada gave notice to France, in December last, of her desire to terminate the French convention made in 1922, and to proceed to the making of a new agreement. The existing Treaty terminates, therefore, on June 16th of this year and it is the earnest hope of the Government that its place will in the near future be taken by a commercial convention which may be of mutual advantage.

ESTIMATED REVENUES AND EXPENDITURES 1932-33

Based upon present rates of taxation and reasonably stable conditions, it is anticipated that the revenues in the fiscal year 1932-33 which has just commenced, will amount to \$319,100,000 from the following sources:

Customs Duties.....	\$100,000,000
Income Tax.....	45,000,000
Post Office.....	70,000,000
Income Tax.....	48,000,000
Post Office.....	32,000,000
Interest on Investments.....	11,500,000
Other sources.....	12,600,000
	\$319,100,000

The ordinary requirements for Government services in 1932-33, as provided for in the main estimates, together with

certain special and statutory amounts such as for old age pensions and payments to railways under the Maritime Freight Rates Act, are estimated at \$369,900,000, and, in addition, \$9,600,000 is voted for capital expenditures.

A very considerable contribution to the balancing of the budget has already been made in the reductions of appropriations which have been recommended to the House for the current year. Leaving aside the extraordinary expenditures on wheat bonus and unemployment relief, the expenditures in the fiscal year just ended are estimated at \$404,900,000, in comparison with which the estimated expenditures of \$379,500,000 for 1932-33 show a reduction of \$25,400,000, after absorbing an increase in interest on the public debt of \$12,700,000,

The perplexities which ordinarily attend the curtailment of expenditures on governmental services are rendered much greater in the present instance by reason of the reductions which had already been effected in the ordinary and capital expenditures, and particularly by reason of the increasingly smaller proportion of the expenditures which are controllable. Thus in the proposed expenditures for 1932-33, the fixed and, in general, uncontrollable amounts, including debt charges, pensions and ex-soldiers' welfare, provincial subsidies, and similar items, aggregate approximately \$236,000,000, leaving only \$143,500,000, or 38 per cent, under the classification of controllable. In the fiscal year just ended, the corresponding figure of controllable expenditures was \$179,300,000. It will therefore be seen that the reduction which it is proposed to effect this year in the controllable expenditures is \$35,800,000, which is the equivalent of 20 per cent. These figures have been cited to illustrate the drastic economies which the Government has felt it necessary to institute, having regard to the depleted returns from taxation.

With revenues estimated at \$319,100,000 and the usual current expenses of government amounting to \$369,900,000, it is clear that increases in the rates of taxation are necessary. Accordingly it is proposed to recommend measures which will, it is estimated, increase the revenues by \$55,000,000, thus balancing the current expenditures and leaving a surplus of \$4,300,000. If expectations are realized, this surplus would serve to cover a large part of the capital expenditures as well. Even a slight improvement in price levels, and the general volume of business would, of course, be reflected immediately in the returns from customs and excise taxes, and our budget position would be correspondingly improved.

Without building too greatly on help from this source in the present year, it is the considered view of the Government that reductions in expenditures, on the one hand, and proposed

additions to the taxation revenues on the other, will, in the final outcome, represent a complete balancing of the budget on the usual current governmental services. While, unfortunately, the estimates of revenues, which are conservatively based having regard to the present conditions of business, do not cover the special expenditures on unemployment relief, nor the more indirect liabilities arising out of the financing of the Canadian National Railways, it is nevertheless, in our judgment, as substantial a step in the direction of providing currently for every responsibility of the Government as would be in the public interest to make effective in any one year under existing conditions.

INCOME TAX

It is proposed to raise the rate of taxation on incomes of corporations and joint stock companies to 11 per cent, to take effect in the 1931 taxation period. Under the Act at present, a corporation whose financial year is not coincident with the calendar year is allowed until April 30th of the following year to pay the tax. It is proposed to amend the Act to provide in such cases for the return of income and payment of the tax within four months from the close of the fiscal period. This will have the effect of accelerating the collection of the tax from those corporations whose fiscal periods do not end with the calendar year. A further amendment to the Income War Tax Act will repeal the provisions relating to family corporations.

In respect of the tax on personal incomes, it is proposed to repeal the deduction of 20 per cent now allowed from the tax payable under the established schedule of rates. In addition, all taxpayers, including corporations, in receipt of net income in excess of \$5,000 will be required to pay a surcharge of 5 per cent of the amount of tax otherwise payable.

The personal exemption, where heretofore \$3,000, will be reduced to \$2,400, and where heretofore \$1,500, will be reduced to \$1,200. No change is to be made in the exemption for dependent children. Hereafter the exemption granted in respect of income from annuity contracts will be \$1,200 instead of \$5,000. This will bring the exemption into conformity with the Annuities Act as amended in 1931.

The penalty provisions in the Income War Tax Act will be amended so as to provide that in cases where investigation reveals that a taxpayer has deliberately understated his income, the amount of income not disclosed will be added in double the amount and the tax assessed thereon. The deacease of the taxpayer will not avoid the tax penalty.

The changes in the exemptions and in the rates of tax payable will apply to incomes of 1931. The following statement indicates the proposed increase in taxation, in the case of a married person without dependents, at various amounts of income:

INCOME TAX
MARRIED PERSON WITHOUT DEPENDENTS—TAXES PAYABLE

Income	Present Tax	Proposed Tax	Increase
\$	\$ cts.	\$ cts.	\$ cts.
2,400	—	—	—
2,500	—	2 00	2 00
2,600	—	4 00	4 00
2,700	—	6 00	6 00
2,800	—	8 00	8 00
2,900	—	10 00	10 00
3,000	—	12 00	12 00
4,000	16 00	32 00	16 00
5,000	32 00	58 00	26 00
6,000	56 00	98 70	42 70
7,000	88 00	147 00	59 00
8,000	128 00	205 80	77 80
9,000	176 00	275 10	99 10
10,000	232 00	354 90	122 90
11,000	296 00	445 20	149 20
12,000	368 00	546 00	178 00
13,000	448 00	657 30	209 30
14,000	536 00	779 10	243 10
15,000	632 00	911 40	279 40
16,000	736 00	1,054 20	318 20
17,000	848 00	1,207 50	359 50
18,000	968 00	1,371 30	403 30
19,000	1,096 00	1,545 60	449 60
20,000	1,232 00	1,730 40	498 40
25,000	2,024 00	2,788 80	764 80
30,000	2,880 00	3,918 60	1,038 60
35,000	3,776 00	5,100 90	1,324 90
40,000	4,712 00	6,335 70	1,623 70
45,000	5,688 00	7,623 00	1,935 00
50,000	6,704 00	8,962 80	2,258 80
55,000	7,760 00	10,355 10	2,595 10
60,000	8,856 00	11,799 90	2,943 90
65,000	9,992 00	13,297 20	3,305 20
70,000	11,168 00	14,847 00	3,679 00
75,000	12,384 00	16,449 30	4,065 30
80,000	13,640 00	18,104 10	4,464 10
85,000	14,936 00	19,811 40	4,875 40
90,000	16,272 00	21,571 20	5,299 20
95,000	17,648 00	23,383 50	5,735 50
100,000	19,064 00	25,248 30	6,184 30
110,000	22,000 00	29,108 10	7,108 10
120,000	25,016 00	33,072 90	8,056 90
130,000	28,112 00	37,142 70	9,030 70
140,000	31,288 00	41,317 50	10,029 50
150,000	34,544 00	45,597 30	11,053 30
175,000	42,920 00	56,597 10	13,677 10
200,000	51,496 00	67,859 40	16,363 40
250,000	69,072 00	90,934 20	21,862 20
300,000	87,048 00	114,534 00	27,486 00
350,000	105,424 00	138,658 80	33,234 80
400,000	124,200 00	163,308 60	39,108 60
450,000	143,376 00	188,483 40	45,107 40
500,000	162,952 00	214,183 20	51,231 20
600,000	202,928 00	266,658 00	63,730 00
700,000	242,928 00	319,158 00	76,230 00
800,000	282,928 00	371,658 00	88,730 00
900,000	322,928 00	424,158 00	101,230 00
1,000,000	362,928 00	476,658 00	113,730 00

SALES TAX

The sales tax will be increased by 2 per cent. Some additional revenue will also be derived from a limited adjustment of the exempt and partially exempt list, in the case of a number of articles not primary products which it is believed should, under present conditions, carry a proportionate share of the tax burden. The chief items to be taken from the exempt list are bakers' cake and pies, lard compound and similar substances made from animal or vegetable stearine or oil, ice cream, processed milk foods and cereal foods under Customs Items 45 and 46, and usual coverings for goods not subject to the sales tax. Biscuits are to be raised from the half to the full rate.

SPECIAL EXCISE TAX ON IMPORTS

The special excise tax on goods imported into Canada will be increased by 2 per cent.

INSURANCE TAX

The tax upon insurance premiums passed at the last session was not put into effect by proclamation as provided by the statute, owing to difficulties over the jurisdiction of the Dominion and provinces in the matter of insurance. It is now proposed, under the Special War Revenue Act, to impose a tax of 1 per cent of net premiums of insurance companies authorized to transact business in Canada or in any province of Canada, other than life, marine and farm mutual. This tax was in force from 1915 to 1929. British and foreign companies, not so authorized but maintaining deposits with the Dominion, will also be assessed 1 per cent of net premiums received in Canada. Canadian policyholders who insure their property in Canada with companies other than those mentioned above, will be charged a tax of 15 per cent of the gross premiums payable on such insurance.

The stamp tax on cheques, promissory notes, money orders, etc., will be increased. The present rate is two cents for each instrument exceeding \$5. The new rate will be three cents over \$5 to \$100 and on instruments over \$100, six cents. The tax of 10 per cent, minimum 25 cents, on sleeping car tickets and of 10 cents on each parlour car ticket, will be re-enacted. The tax on cable and telegraphic messages will also be re-enacted, but the rate will now be five cents for each message costing more than fifteen cents, and the measure will be extended to include long distance telephone calls at the same rate.

A minor amendment also is proposed to the Special War Revenue Act in connection with the stock and bond transfer tax. The present exemption for inter-dealer transactions in bonds is to be repealed and a regulation substituted which will ensure the application of the tax in all transactions except where dealers in securities are acting as purchasing agents for clients.

The sales tax changes come into force immediately; the stamp tax on cheques, telegraph and telephone and transportation taxes, it is proposed to put into effect as of May 2.

TARIFF

Having in mind the near approach of the meeting of the Imperial Conference, it is deemed undesirable to make any tariff changes touching the British Preference. This decision of necessity precludes any major tariff adjustments.

With one exception, no tariff amendments are therefore proposed. The exception relates to repair parts for farm implements, for which the special rates granted to March 31, 1932, will be further extended to March 31, 1933.

In proposing these additional measures of taxation, consideration has been given, on the one hand, to the ability of our people to bear the extra burden, and, on the other, to the absolute necessity of placing our financial house in order.

Bearing fully in mind the fact that, in common with the whole world, we have suffered—while not in equal degree at least in substantial degree—as the result of a depression universal in scope and of unparalleled magnitude; realizing also the anxieties and burdens of the people and the manifold difficulties resulting from the trying period through which we are passing; and appreciating how desirable it is that we should endeavour to the fullest possible extent compatible with the public interest to call for as little further sacrifice as possible; at the same time we would be recreant to our duty if we failed to face our problems with determination and at whatever sacrifice, fully meet our financial obligations, balance our budget and preserve our national credit in the eyes of an observant financial world.

This course may result in hardship. It may entail sacrifice. But in the long run it will result in less hardship, and will call for less sacrifice than that which would flow from a policy less courageous.

Furthermore, the preservation of our national credit is an indispensable prerequisite to the return of prosperity.

While the world is close knit to-day in matters of trade and finance as never before in its history—and we cannot

expect normal or prosperous conditions apart from the general world trend—nevertheless some one nation, or group of nations, must assume the leadership and point the way. To that end an opportunity unique in history is afforded to the British nations, whose representatives will assemble in Ottawa at the Imperial Economic Conference in July next.

If the delegates who assemble here meet in an atmosphere charged with determination to approach their deliberations from the viewpoint of mutual advantage, there will result measures which will give a marked stimulus to Empire trade.

And while these measures are primarily designed to stimulate trade within the Empire, they will release forces and establish currents which may well flow beyond our borders to the eventual benefit of the world at large.

As a final word, may I say that I do not propose to indulge in prophecy. But I do desire to record my firm conviction that we are not far removed from events which will herald the dawn of better days; that those qualities of courage, resourcefulness and thrift which characterized our forebears are not lost to the present generation; that our struggles and difficulties of to-day will serve as a challenge to greater effort on the part of governments and people to the end that Canada will be found in the vanguard of those nations who successfully emerge from the greatest testing time in modern history.

RESOLUTIONS

I beg to give notice that when the house resolves itself into committee, I shall move the following resolutions:—

CUSTOMS TARIFF

1. RESOLVED, That Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928, chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first Session), chapter three of the Acts of 1930 (second Session) and chapter thirty of the Acts of 1931, be further amended by striking thereout tariff item 409q, the several enumerations of goods, respectively, and the several rates of duties of customs, if any, set opposite thereto, and by inserting the following item, enumerations and rates of duty in said Schedule A:—

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff
409q	Complete parts for repairs, if imported on or before the thirty-first day of March, 1933, under regulations prescribed by the Minister—			
	(i) For the implements or machinery enumerated in tariff items 409c, 409e, 409f, 409g, 409j, 409o, 409p and 439c.....	Free	10 p.c.	10 p.c.
	(ii) For the implements or machinery enumerated in tariff item 409b.....	Free	7½ p.c.	7½ p.c.
	(iii) For the implements or machinery enumerated in tariff item 409d.....	Free	6 p.c.	6 p.c.
	(iv) For the implements or machinery enumerated in tariff items 409h and 409n.....	Free	10 p.c.	15 p.c.
	(v) For the implements or machinery enumerated in tariff items 409i and 409k.....	Free	17½ p.c.	17½ p.c.

2. RESOLVED, That any enactment founded upon the foregoing resolution shall be deemed to have come into force on the seventh day of April, one thousand nine hundred and thirty-two, and to have applied to all goods mentioned in the foregoing resolution imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for consumption for which no entry for consumption was made before that date.

INCOME WAR TAX ACT

RESOLVED, that it is expedient to amend the Income War Tax Act and to provide:—

1. That the reduction of twenty per centum from the rates of tax under the first schedule of the Act be repealed;
2. That the rate of tax applicable to corporations be increased from ten per centum to eleven per centum on the income in excess of \$2,000;
3. That all taxpayers in receipt of net income in excess of \$5,000, excluding incomes exempt under section 4 of the said Act, shall pay an additional tax of five per centum of the amount of taxes otherwise payable under the provisions of the said Act;
4. That the personal exemption heretofore afforded to the extent of \$3,000 be reduced to \$2,400 and where heretofore afforded to the extent of \$1,500 be reduced to \$1,200;
5. That incomes arising by way of annuity contracts within the meaning of paragraph (k) of section 3 of chapter 24 of the Statutes of 1930 be exempt to the extent of \$1,200 in lieu of the exemption heretofore provided of \$5,000, but the said exemption of annuity income heretofore provided and arising out of annuity contracts entered into prior to the passing of any Act based on this resolution shall continue in full force and effect;
6. That the provisions relating to family corporations be repealed, such repeal to come into force at the end of the 1932 calendar year or fiscal periods ending therein;

7. That in respect of fiscal periods not coincident with the calendar year the return of income and payment of the tax, by persons other than individuals, in lieu of being made and paid on or before the 30th day of April in each year as in the said Act provided, must be made and paid within four months from the close of the fiscal period and if not so made and paid all provisions of the said Act shall *mutatis mutandis* apply;
8. That income by way of dividends, rentals, interest, royalties and other like income not disclosed by the taxpayer in his return of income may be added to the other income of the taxpayer in double the amount and the whole taxed under the provisions of the Act;
9. That any enactment founded on paragraphs one, two, three, four, five and eight of this resolution shall be deemed to have come into force at the commencement of the 1931 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods;
10. That any enactment founded on the provisions of paragraph seven of this resolution shall be deemed to have come into force at the commencement of the 1932 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods.

SPECIAL WAR REVENUE ACT

RESOLVED, that it is expedient to introduce a measure to amend the Special War Revenue Act, chapter 179 of the Revised Statutes of Canada, 1927, as amended by chapter 50 of the Statutes of 1928, chapter 57 of the Statutes of 1929, chapter 43 of the Statutes of 1930, and chapter 54 of the Statutes of 1931, and to provide:—

1. (i) That every company authorized to transact the business of insurance in Canada or in any province of Canada, other than life and marine insurance companies, fraternal benefit societies and purely mutual fire insurance companies insuring principally farm risks, shall pay for Consolidated Revenue Fund a tax of one per centum upon the net premiums received by the company in Canada on and after the first day of January, 1932.

(ii) That every insurance company not so authorized to transact the business of insurance in Canada or in any province thereof but which maintains a deposit with the Minister of Finance as security for the claims of all Canadian policyholders exclusively of such company to the amount of at least the amount of the liabilities of the company to policyholders in Canada, shall pay for Consolidated Revenue Fund a tax of one per centum upon the net premiums received by it in respect of insurance on property in Canada, other than marine insurance, effected or renewed in the portion of the calendar year 1932, and of each calendar year thereafter for which it maintains such deposit.

(iii) That every person resident in Canada who insures or has insured his property situate in Canada, or any property situate in Canada in which he has an insurable interest other than that of an insurer of such property with any British or foreign company or British or foreign underwriter or underwriters, or any association of persons

(a) which, on the twenty-second day of October, 1931, had not a deposit with the Minister of Finance for the purpose and to the amount aforesaid, shall pay for Consolidated Revenue Fund a tax of fifteen per centum of the gross premiums paid or payable by such person for such insurance during the year 1931; and a tax of five per centum

of the total net cost to such person of such insurance effected or renewed in each of the calendar years 1921 to 1930, both inclusive during which such company, underwriter or association did not maintain a deposit with the Minister for the purpose and to the amount aforesaid, the amount of such tax payable in respect of any calendar year to be reduced by the amount of any tax heretofore paid to the Minister in respect of such insurance for such calendar year; or

- (b) which does not on or before the first day of May, 1932, or at the time such insurance is effected or renewed, if after the said date, maintain a deposit for the purpose and to the amount aforesaid, shall each year pay a tax of fifteen per centum of the gross premiums paid or payable for such insurance during the next preceding calendar year.

2. That on every cable and telegraph or radio message originating in Canada for which a charge of more than fifteen cents is made, except press despatches, and on every long distance telephone call originating in Canada for which a charge of more than fifteen cents is made the sending company shall pay to the Consolidated Revenue Fund a tax of five cents and may charge the same to the person paying the regular charges for such message.

3. That every purchaser of a seat in a Pullman or parlour car shall pay, in addition to the regular price of each such seat, a tax of ten cents and that every purchaser of a berth in a sleeping car or other sleeping accommodation on a railway train shall pay in addition to the regular price thereof a tax equal to ten per cent of the said price, provided that such tax shall in no case be less than twenty-five cents.

4. That the stamp tax imposed by Parts VI, VIII, and IX of the said Act on cheques, receipts to banks, money orders, travellers' cheques and post office money orders for amounts exceeding five dollars, and on bills of exchange and promissory notes, be increased to three cents on every instrument for an amount not exceeding one hundred dollars, and to six cents on every instrument for an amount exceeding one hundred dollars.

5. That subsection (e) of section sixty-one of the said Act, as enacted by chapter 54 of the Statutes of 1931, be repealed.

6. (i) That the rate of consumption or sales tax as imposed by section eighty-six of the said Act, as amended by section eleven of chapter 54 of the Statutes of 1931, be increased to six per cent.

(ii) That the following words be removed from the list of articles exempt from the consumption or sales tax set out in Schedule III to the said Act, as enacted by chapter 54 of the Statutes of 1931, that is to say:—

"Bakers' cake and pies, not to include biscuits;" "and substitutes therefor" in line seven of the said Schedule; "lard compound and similar substances, made from animal or vegetable stearine or oils;" "materials for use solely in the manufacture of any substitute for butter or lard;" "extract of rennet;" "ice cream;" "usual coverings to be used exclusively for covering goods not subject to the consumption or sales tax;" "materials to be used exclusively in the manufacture of usual coverings to be used for covering goods not subject to the consumption or sales tax."

Also under the heading "Goods Enumerated in Customs Tariff Items;" the following figures and words, namely;—

"45. Milk foods, n.o.p.; prepared cereal foods, in packages not exceeding twenty-five pounds weight each;"

"46. Prepared cereal foods, n.o.p.;"

And that the word "lard" where it first appears in line eight of the said Schedule be struck out and the words "lard, when produced in Canada" be substituted.

(iii) That the following words be inserted in the said schedule:—

"All articles manufactured or produced by the labour of the blind in institutions established for their care or under the control or direction of such institutions."

(iv) That the following words be removed from the list of articles exempt to the extent of fifty per cent of the consumption or sales tax set out in Schedule IV to the said Act, as enacted by chapter 54 of the Statutes of 1931, that is to say:—

"Biscuits of all kinds."

7. That the special excise tax on imports imposed by section eighty-eight of the said Act, as enacted by section fourteen of chapter 54 of the Statutes of 1931, be increased to three per cent.

8. That any enactment founded on paragraphs two, three and four of this resolution shall come into force on the second day of May one thousand nine hundred and thirty-two.

9. That any enactment founded on paragraphs six and seven of this resolution shall be deemed to have come into force on the seventh day of April one thousand nine hundred and thirty-two, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for which no entry for consumption was made before that date.

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES

MINISTER OF FINANCE

MEMBER FOR RICHMOND-WEST CAPE BRETON, N.S.

IN THE

HOUSE OF COMMONS

MARCH 21, 1933



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, MARCH 21,

1933

Hon. EDGAR N. RHODES (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, in moving that you do now leave the chair to enable the house to resolve itself into committee of ways and means to enable supply to be granted to His Majesty for the fiscal year ending March 31, 1934, it is proposed to discuss the year's financial operations under the five headings followed in the last budget, namely:

1. A short review of world economic conditions;
2. Canada's trade and commerce and financial conditions in Canada;
3. The financial operations and accounts of the dominion for the year ending March 31, 1933, and, as the fiscal year has not yet closed, the transactions still to take place have been estimated as closely as possible;
4. The estimated revenue and expenditure for the year 1933-34;
5. Ways and means to secure the revenue required to meet the estimated expenditure.

World Economic Conditions

When the budget was presented one year ago, a world financial storm of unprecedented severity was still in progress. It had started, you will recall, in Austria in the spring of 1931 and had passed from one country to another, crippling financial institutions and generally dislocating the machinery of finance and trade. Before the end of September, England had been forced off the gold standard and her example was soon followed by a score

or more of other countries. With few exceptions, all countries felt it necessary to institute exchange controls or impose additional restrictions on trade, in order to protect the value of their currencies and to safeguard themselves against unfair competition arising out of depreciated exchanges.

As a result of these conditions, the international exchange of goods tended to become more and more restricted; the world level of prices, particularly the prices of primary products and the staple exports of debtor countries, became subject to intolerable pressure; and the forces making for declining business activity and increasing unemployment were reinforced.

The United States was perhaps the last important country to feel the full force of the financial storm. During the winter of 1931-32, its banking system was subject to a double strain; foreign individuals and institutions with balances in the New York money market repatriated these balances or earmarked gold against them, while domestic depositors, distrustful of the solvency of their banking institutions, withdrew deposits. The inevitable result was the failure of thousands of small unit banks, heavy depreciation in the value of securities thrown upon the investment market, falling commodity prices and a vicious spiral of deflation. To counteract this movement, a program designed to create an expansion of credit was instituted, involving chiefly the formation of the Reconstruction Finance Corporation, the liberalization of banking legislation and extensive open market purchases of government securities by the Federal Reserve banks. By midsummer the

processes of disintegration appeared to have been effectively checked.

Up to this period, world commodity prices had been falling and business activity steadily shrinking. Even in England, departure from the gold standard had brought only temporary inflation and the level of wholesale prices had been declining since November. In June or July, however, prices turned upward in both England and the United States, and industrial production showed a similar upswing. In June, the Lausanne conference, somewhat to the surprise of the world, reached a provisional settlement of the reparations problem. While the European nations made their acceptance of the agreement conditional upon similar action being taken by the United States with respect to war debts, this conference had all the promise of marking a real beginning of international co-operation, through which the hopeless tangle of reparations, debts, tariffs, armaments and unstable currencies might be solved by international action. In July-August, the Ottawa conference, to the accomplishments of which further reference will be made a little later, succeeded in effecting a measurable relaxation of trade restrictions within the huge trading area of the British Empire, and pointed the way to similar action on a broader scale. These developments in the international sphere created an atmosphere favourable to business recovery.

During the summer also Great Britain carried through a highly successful conversion operation, reducing the rate of interest from 5 to 3½ per cent on over two billion pounds of callable public debt. This was made possible by a condition of extraordinary ease in the money market, symbolized by successive reductions of the Bank of England rate from 6 to 2 per cent and by the sale of Treasury bills at the record low rate of ⅓ of one per cent. Somewhat similar conditions prevailed in other leading money markets of the world. In the security markets, prices rose rapidly, particularly for high-grade bonds. Low money rates are traditionally regarded as the chief prerequisite to and as the forerunner of business recovery. It was not unnatural therefore that confidence began to return. Indeed, the third quarter of 1932 was a period of noticeable improvement in world industry and in business sentiment.

But the improvement was not maintained, and since last October world trade, industrial production and wholesale prices have once more tended downwards. In the renewal of the decline, the failure of the war debt negotiations has been an important, though not the sole, factor. During the last few weeks, there has been a recurrence of banking

troubles in the great country to the south of us, and new clouds have appeared on the political horizon in Europe. On the significance of this banking crisis and these new political disturbances, it is not necessary for me to comment. But I do wish to warn against too gloomy an interpretation of current happenings. Events that may seem well-nigh disastrous in themselves may nevertheless be necessary to effect some of the radical changes in public attitudes and national policies which will make possible a fundamental and permanent solution of the difficulties which beset the world.

There are those who decry the possibility of an international solution and who insist that we should seek remedies at home for present conditions. I do not wish to minimize the difficulties and delays which are involved in any program based on international agreement, or to overlook the plain duty which rests upon every nation to keep its own house in order and to strive to the utmost by domestic action to accelerate the processes of business recovery. However, one cannot fail to observe that the present crisis is international, both in its causes and its effects, and that the remedy must be sought in international understanding and co-operation. Slowly, but nevertheless surely, the world is approaching full realization of the fact that the day of national self-sufficiency is past, that an international disease can only be cured by an international remedy.

Therefore, I look forward hopefully to the World Economic and Monetary conference which is expected to meet in London in the near future, and to which we propose to give our whole-hearted support. Members of this house have already had an opportunity of studying the agenda of that conference prepared by an able committee of experts. I am hopeful that on the basis of this agenda a program can be worked out for the relaxation of exchange controls and other excessive restrictions on international trade, for the stabilization of currencies, and for the stimulation of a rise in the world level of wholesale prices. The success of this conference assumes a prior or simultaneous settlement of the war debt question and some appeasement of political fears and rivalries as a result of progress in disarmament discussions or otherwise. If these prerequisite conditions can be achieved, it should be possible to reach agreement upon a program which would be effective in restoring world confidence and initiating an early recovery of business activity. The world has this solution within its grasp and in my opinion there is no other—

short of prolonged and painful liquidation, if this indeed can be called a solution. Events are moving rapidly, driven by the urge of economic necessity. On this fact may rest the basis for a greater degree of optimism than has obtained in many months.

As foreign trade plays a dominant role in Canada's economy, it follows that the world conditions which have just been outlined, have inevitably been reflected in business conditions within this country. The course of industrial production and the physical volume of business in Canada has followed very closely that of the other leading countries. Fortunately, since the first of the year, there has been a moderate improvement in wheat prices and those who are usually well-informed are hopeful that this improvement will be sustained. I do not need to emphasize that if this rise in wheat prices can be sustained and carried farther, no other single development could be of more importance in stimulating business recovery and reviving a spirit of confidence.

Trade of Canada

Reference has been made to the factors which have contributed to a further decline in world trade, including lower commodity prices, reduction in purchasing power of many of our principal markets due to unfavourable exchange conditions and the widespread application of import restrictions. It is a matter of satisfaction that relatively the position of Canada among the great trading nations has been so well maintained. In 1932, Canada again ranked fifth, after having been seventh in 1931. An examination of the statistics also reveals that the loss in dollar value of total trade in 1932 was proportionally not so great for Canada as for other important trading countries. The soundness of our financial policy, and the beneficial effect of trade agreements, particularly those concluded with empire countries, have contributed to this result.

The following is a statement of Canada's foreign trade for the first eleven months of this fiscal year, as compared with the same period in 1931-32:

Trade of Canada

(000 omitted)

	Eleven months ended Feb. 29—1932	Eleven months ended Feb. 28—1933	Decrease
Imports	\$ 521,056	\$373,421	\$147,635
Exports—			
Canadian produce	536,595	437,329	99,266
Foreign produce	9,952	6,332	3,620
Total	\$1,067,603	\$817,082	\$250,521

It will be observed that the value of the exports of Canadian produce has declined to a lesser extent than the value of imports. Indeed, when the lower prices of the leading Canadian export commodities are taken into consideration, there will be found to have been very little reduction in the actual volume of exports.

It is also noteworthy that, despite the unfavourable conditions which have prevailed, there has been a progressive improvement in

the balance of trade. In the first eleven months of this fiscal year, ended February 28, the excess of exports over imports was \$70,240,000 which is a remarkable showing as compared with a favourable balance of \$25,490,000 in the corresponding period of the previous year, and a complete reversal of the position in the eleven months ended February 28, 1931, when our trade showed an unfavourable balance of \$70,524,000. Comparative figures are as follows:

Trade of Canada

(000 omitted)

Eleven months ended—	Imports	Exports	Balance
February 28, 1931	\$831,232	\$760,708	(—) \$70,524
February 29, 1932	521,056	546,547	(+) 25,491
February 28, 1933	373,421	443,661	(+) 70,240

Although the tariff agreements arising out of the Imperial Economic Conference have been in force only a few months and their advantages are not yet fully reflected in the trade statistics, significant developments of

the utmost importance to our trade with empire countries are indicated.

In the ten months ended January, 1933, (the latest date for which trade statistics by countries are available), Canada's exports to

various parts of the empire were slightly greater than in the same period in 1932, and to the United Kingdom had increased by some seven million dollars. In addition, the de-

cline in empire imports was much less, relatively, than in respect of non-empire imports. Trade totals reflecting the inter-empire movement of goods are as follows:

Inter-Empire Trade of Canada

	Ten months ended January 31, 1932	Ten months ended January 31, 1933
Imports from United Kingdom.. . . .	\$ 87,509,816	\$ 73,629,042
Exports to United Kingdom.. . . .	153,776,204	160,610,678
Imports from British Empire.. . . .	122,448,561	101,939,909
Exports to British Empire.. . . .	192,824,941	193,115,066

When expressed as percentages of total trade, these figures clearly indicate the trend towards increased trade with empire countries. In the ten months ended January 31, 1933, imports from the British Empire were 29.13 per cent of total trade, as compared with

25.23 per cent for the previous corresponding period. Exports to empire countries in the same period were 46.34 per cent of total trade, as compared with 37.84 per cent formerly.

The percentage distribution of Canada's trade is shown in the following statement:

	Imports Ten months ended January 31		Exports Ten months ended January 31	
	1932	1933	1932	1933
	%	%	%	%
United Kingdom.. . . .	18.03	21.04	30.02	38.54
British Empire.. . . .	25.23	29.13	37.84	46.34
United States.. . . .	60.77	57.22	41.54	30.89
Other countries.. . . .	14.00	13.65	20.62	22.77

In imports from the United Kingdom, the chief gains have been in textiles, coal, manufactures of iron and chemicals. So far as exports to the United Kingdom are concerned, important increases are being registered in many products of the farm, mine and factory.

An increase has occurred in both imports from and exports to Australia, the latter rising from \$4,207,000 to \$6,047,000. This improvement is especially gratifying to those interested in trade from the Pacific coast.

A feature of the import trade has been the growing importance of the West Indies as a source of supply of semi-tropical fruits and vegetables.

Considered in the light of world conditions, Canada's external trade has shown a reassuring stability which reflects not only the underlying productive capacity of the country, but also the energy and capacity of those engaged in production and trade.

Financial Conditions in Canada

It will be recalled that after Great Britain departed from the gold standard, the export of gold from Canada was prohibited except under license and the gold production of the mines was purchased by the government at the world price. This policy has been con-

tinued, and the receipt of the New York premium, which would, of course, have been obtainable by producers had they been permitted to export their gold freely, has undoubtedly contributed to the substantial expansion which has occurred in gold production. Next to South Africa, Canada is now the largest producer, having expanded her output from \$16,000,000 in 1913 to \$63,000,000 in 1932, succeeding the United States as the second largest producer. It is estimated that for the present calendar year our production will amount to \$67,000,000.

The importance of this industry lies not alone in the increasing employment it has given to labour, the profits which have been disbursed in dividends and the impetus given to domestic trade generally, but perhaps primarily at this time in the support which it has given to our exchanges and the national credit.

This increased gold supply, available for export without weakening monetary gold reserves, taken in conjunction with the elimination in the past two years of a large unfavourable balance of trade and the substitution therefore of a favourable balance exceeding \$70,000,000, has been most significant in relation to Canada's ability to meet, without undue strain, the burden of interest

and principal payable abroad. Without making a detailed presentation of the various items entering into Canada's balance sheet of international payments, it may be noted that current estimates of the position indicate that exports of goods, gold, and services, are sufficient to offset annual charges payable abroad and to leave a substantial balance for principal payments on account of external debts. This has been a most important factor in maintaining the high credit position of Canada in world markets. During the past year Canada was the only foreign country that was able to borrow in the public markets of the United States.

This enviable position has been and can be held only by the maintenance of sound financial and monetary policies. Much has been heard in recent months about inflation. Some of the advantages claimed for inflation may seem alluring to industries harassed by falling prices and declining turnover. But let the sponsors of inflation never forget that apart from the other difficulties and dangers involved in their program, one inevitable result would be a flight from our dollar, a withdrawal on a large scale of the capital invested by foreigners in this country in the form of securities and bank deposits. There are also to be considered internal reactions to any steps which might impair confidence in a country's currency. Against policies which might lead to such dangers, this government has resolutely set its face.

The external value of the Canadian dollar, though showing greater fluctuations than are desirable for the normal conduct of international trade, has been maintained at a moderate discount in terms of the United States dollar. In October last, the rate rose to 6½ per cent discount, and at no time during the past year was it depressed to the level of December, 1931. There are some who advocate that our dollar should be tied to sterling at the old parity and still others who criticize what they mistakenly believe to be a policy of pegging our dollar in terms of New York. This is not the time to enter into a discussion of this broad and complicated question. Suffice it for me to say that our dollar has been allowed to find its own level and that as a result it has been fluctuating about half-way between the United States dollar and the English pound. In so doing it may be working out a not unsatisfactory compromise between those of our national interests which would be benefited by close and stable relations with sterling, and those on the other hand which would be seriously harmed by a heavy and fluctuating discount in terms of New York.

The financial and monetary policies which have been followed have also contributed to the efficient working of our internal credit and investment facilities. In general the needs of industry, of crop-marketing agencies and of public bodies harassed by falling revenues have been taken care of with admirable efficiency, particularly in view of emergency conditions and in the light of the situation in many other countries. Canada is one of the few countries that has been able to retain a market for new long-term financing, and the volume of long-term capital issues which were floated in the domestic market last year is, I submit, a splendid tribute, not only to the efficiency of our investment and banking institutions, but also to the thrift of the Canadian people and the underlying strength of our economic position. Excluding short-term and refunding loans, a total of \$267,000,000 was raised. In passing, it is interesting to note that over \$15,000,000 was secured by Canadian borrowers from the London market, three provinces and two municipalities selling their first sterling issues since 1914.

The dead hand of past lavish expenditure and borrowing still weighs heavily upon all public bodies. While public revenues keep falling, debt charges persist and increase, consuming an ever-growing proportion of total current receipts. This whole problem of interest charges is now receiving the attention of the banking and commerce committee of this house. Without touching upon their field, may I say that the policy of this government is to keep the interest charges upon the public debt as low as possible by maintaining such financial policies as will enable us to raise new funds and convert maturing loans on the most economical basis. When the opportune moment arrives, we propose to offer a conversion loan to the public of this country. But it will be on a basis that will keep faith with investors and will not in any sense involve repudiation of existing contracts. Under such conditions, the issue can be made, it is believed, at a rate which will involve a substantial saving to the public treasury.

May I refer also, at this time, to a matter which has received some attention in the public press, namely, the movement on the part of the banks and other financial institutions to reduce the interest rate on savings bank deposits. In my judgment this reduction is a necessary step if we are to reduce the interest rate on bank loans, on mortgages and on long-term bonds to a level where business recovery will be most effectively stimulated. I need not dwell upon the extent to which

it will ease the burden of financing for all public bodies by enabling funds to be raised at lower rates. In this matter, therefore, the government is prepared to cooperate by reducing the rate of interest paid on postal savings deposits.

Finally, I wish to refer to the contribution of the chartered banks to the orderly financing of our economic life. Under the impact of the severest financial storm that history records, our banking system has fully maintained its enviable reputation, meeting every demand upon it and retaining the fullest confidence of the public. The annual bank statements which have been issued recently indicate an exceptionally strong and liquid position, while the chief concern of our banks would appear to be the difficulty of finding satisfactory outlets for the investment of their surplus reserves.

A bill has already been introduced in this house providing for the extension of existing bank charters until July 1, 1934. Before that date the periodic revision of the Bank Act will have taken place. Speaking in this house more than a year ago, the right hon. the Prime Minister, raised the question as to whether or not a central bank should be established in Canada. In recent months the question has been widely discussed, but it must be recognized that it is a highly technical matter, upon which conclusions should be reached only in the light of the fullest enquiry into all aspects of the problem. The government proposes, therefore, to appoint a royal commission to study the organization and working of our entire banking and monetary system, to consider the arguments for and against a central banking institution and to make recommendations for revising or supplementing our existing banking and monetary legislation. I need scarcely say that the endeavour will be made to secure a body of experts, wherever they may be found whose competence and whose freedom from bias will command the respect of every section of the Canadian public. The intention is that the commission should begin its investigation at an early date, should adjourn, if necessary, in order to consider its findings in the light of any recommendations that may be made by the World Monetary conference, and should submit a report which would become the basis for study by the banking and commerce committee at the next session of parliament.

The brief reference which I have made to the financial situation in this country may well be a source of satisfaction to Canadians, having regard to world conditions. I do not overlook the darker elements in the picture—the low level of business activity, the shrinkage of trade, the pressure of low prices and of existing debts, the increase of unemployment and the various social costs which it involves. Nevertheless, it means much for the prospect of future recovery that as a nation Canada is able to take care of her foreign commitments without undue strain; that our financial structure continues intact and our credit remains unimpaired in the markets of the world.

Taxation Revenues 1932-33

The continuance of the decline in business activity and in commodity prices had the inevitable effect, in Canada as in other countries, of a continuing fall in public revenues. This was particularly marked in taxation revenue from which the dominion derives over 80 per cent of its total receipts.

Of the major sources of taxation revenue, the income tax alone will yield the sum estimated. When the fiscal year ends on March 31st, income tax receipts, as now estimated, will approximate \$62,000,000 as compared with an estimate of \$60,000,000 and a yield during the previous fiscal year of \$61,255,000.

The customs tariff still ranks first as a contributor to the dominion treasury, but its yield of \$72,000,000 for 1932-33 is substantially below the customs revenues of last year. This decline reflects, of course, the fall in commodity prices and the gradual shrinkage of international trade due in part to exchange restrictions and chaotic monetary conditions. The fall in excise duties, which are estimated to produce \$38,594,000, was slightly less rapid than that in customs duties.

Because of the increase in the rate from 4 per cent to 6 per cent, the sales tax again rose to third place in the list of revenue producers. Though the higher rate was not fully effective during the entire year, the return will exceed \$58,000,000 and closely approach that of the income tax and the customs tariff. If to sales tax receipts we add the yield of the various other excise and miscellaneous taxes imposed by the Special War Revenue Act, we have a total estimated return of \$85,432,000 or over 33 per cent of our total taxation revenue.

The following table gives a comparative statement of the estimated receipts from taxes for the fiscal year now closing and the previous four years:

Taxation Revenues
(000 omitted)

	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Customs import duties.....	187,206	179,430	131,209	104,133	72,081
Excise duties.....	63,685	65,036	57,747	48,655	38,594
War Tax Revenues—					
Banks.....	1,243	1,408	1,429	1,390	1,350
Trust and Loan Companies.....	8				
Insurance companies.....	895	74	74	12	805
Delayed business profits.....	455	173	34	3	
Income tax.....	59,422	69,021	71,048	61,255	62,000
Sales tax.....	63,646	44,859	20,784	41,734	58,757
Manufacturers', importation, stamp, transportation taxes, etc.....	19,361	18,550	13,951	17,872	24,520
Total receipts from taxation.....	395,921	378,551	296,276	275,054	258,167

Public Service Revenues

The sum of \$52,709,932 will, it is estimated, be collected by way of revenues from the various public services. This is slightly larger than the corresponding figure for the previous year.

The chief source under this head is the Post Office Department, the revenue of which is estimated at \$31,129,243. This is slightly less than the estimate and less than the total for 1931-32. On the other hand, post office expenditures have been reduced more rapidly with the result that a deficit of \$2,214,000 in 1931-32 has been turned into an expected net revenue of approximately \$567,000 during the current year. The figures for post office receipts do not include any credit for handling

the mail of the various branches of the public service free of charge, nor does the department's expenditure take into account disbursements made by Public Works and other departments on account of Post Office.

The second largest item of public service revenues is interest on investments, representing interest on advances to harbour commissions, provinces, etc., and including the regular payments by Roumania on its loan. The total this year will exceed \$11,500,000, as compared with \$9,330,125 last year. Included in the total is the payment of \$807,000 by the chartered banks for interest upon advances under the Finance Act. The corresponding payment last year was \$360,247.

A five-year comparison of non-tax revenues follows:

Non-Tax Revenues

	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Canada Grain Act.....	2,992,540	2,047,207	2,179,047	1,484,826	1,437,493
Canada Gazette.....	80,214	93,890	71,197	73,590	74,000
Canals.....	1,230,333	1,043,647	1,026,671	976,845	806,200
Casual.....	4,041,095	4,300,710	3,678,487	4,286,745	4,360,454
Chinese Revenue.....	18,224	14,345	21,996	10,059	9,800
Dominion Lands.....	4,070,339	4,139,104	1,655,401	485,364	453,500
Electricity.....	563,964	546,957	632,151	402,189	299,797
Fines and forfeitures.....	655,485	748,343	433,716	233,512	208,886
Fisheries.....	109,300	110,724	73,937	40,519	37,725
Gas inspection.....	92,398	100,763	94,255	81,359	81,627
Insurance inspection.....	131,626	138,780	148,942	149,902	159,918
Interest on investments.....	12,227,562	13,518,205	10,421,224	9,330,125	11,506,694
Marine.....	182,810	184,637	199,000	191,905	178,557
Mariners' Fund.....	236,808	209,322	201,768	184,485	185,646
Military college.....	20,204	19,820	19,882	20,045	20,116
Military pensions revenue.....	155,830	158,881	159,000	163,229	156,676
Ordnance lands.....	24,830	30,277	29,384	14,250	15,000
Patent and copyright fees.....	530,239	574,918	559,646	525,248	558,882
Penitentiaries.....	178,449	181,024	183,288	166,111	101,838
Post Office.....	30,611,964	33,345,385	30,212,326	32,234,946	31,129,243
Premium, discount and exchange.....	501,592	458,390	501,610		301,108
Public works.....	414,085	408,151	362,391	280,591	214,781
R.C.M.P. officers' pensions.....	6,373	6,471	6,357	14,757	9,703
Superannuation.....	81	5			
Weights and measures.....	399,247	407,248	419,750	406,529	402,288
Total non-tax revenues.....	59,475,592	62,787,204	53,291,426	51,757,161	52,709,932

Included in casual revenue in the above table is \$1,400,000 received from the sale of radio licences. This compares with \$514,177 received during the previous year when the fee was \$1 compared with the present \$2.

Special Receipts

Special receipts were not as large as during either of the previous two years, primarily because nothing has been received on account of German reparations since the Hoover moratorium. From the Custodian of Enemy Property, however, there has been received \$4,000,000, which has been taken into the

accounts in part as an offset to the disbursements from the consolidated revenue fund in respect of compensation paid to civilians for damages sustained in the war.

Summary of Revenues

Adding special receipts to the returns from taxation and public service revenues, we reach a grand total revenue of \$315,290,000, which is \$18,549,000 less than the figure for the previous year.

A comparison of revenues for the last five fiscal years is given in the following table:

Summary of All Revenues

(000 omitted)

	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Receipts from taxation.....	395,921	378,551	296,276	275,054	258,107
Non-tax revenues.....	59,476	62,787	53,291	51,757	52,710
Consolidated fund receipts.....	455,397	441,338	349,567	326,811	310,817
Special receipts.....	5,476	4,771	6,622	7,028	4,473
Grand total.....	460,873	446,109	356,189	333,839	315,290

Ordinary Expenditures 1932-33

The ordinary expenditures for the year are estimated at \$364,425,000, which is \$8,080,000 less than the figure for 1931-32. Whilst this expenditure is \$130,000 more than was estimated, this slight increase must be considered in the light of the fact that after the budget estimate was made, supplementary estimates were passed, amounting to \$7,644,000. By means of rigid control over expenditures,

it was possible to effect a total saving of upwards of \$12,000,000 from the total amounts voted by parliament.

In previous budgets it has been customary to give a statement of ordinary expenditures by services. The following five-year summary is given on the basis of expenditures by departments (with sub-heads for the more important services), in the belief that this classification will be more serviceable.

Statement by Departments of Expenditure for the Last Five Fiscal Years

(000 omitted)

Ordinary Account	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Agriculture.....	8,128	10,245	10,119	10,212	8,601
Auditor General's Office.....	400	402	416	436	390
Chief Electoral Officer, including Elections.....	75	46	2,256	145	64
Civil Service Commission.....	268	308	343	306	243
External Affairs including Office of the Prime Minister.....	749	897	928	994	875
Finance—					
Interest on Public Debt.....	124,990	121,566	121,290	121,151	134,971
Premium Discount and Exchange (Net).....				728	
Subsidies to Provinces.....	12,554	12,497	17,436	13,695	13,677
Special Grants to Maritime Provinces....	1,600	1,600	1,600	1,600	1,600
Other Grants and Contributions.....	2,687	837	778	536	531
Imperial Economic Conference.....					258
Civil Pensions and Superannuations.....	1,648	1,545	1,476	1,405	1,330
General Expenditure.....	2,369	2,006	1,794	1,845	2,018

Statement by Departments of Expenditure for the Last Five Fiscal Years—Concluded

(000 omitted)

Ordinary account	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Fisheries.....	1,974	2,426	2,435	2,046	1,883
Governor General's Secretary's Office....	155	170	142	148	146
Immigration and Colonization.....	2,956	3,094	2,588	2,200	1,769
Indian Affairs.....	4,789	5,333	6,069	5,081	4,507
Insurance.....	156	159	178	180	166
Interior.....	7,787	8,490	8,104	4,647	3,576
Justice.....	2,640	2,591	2,538	2,560	2,480
Penitentiaries.....	1,808	2,561	3,237	2,737	3,039
Labour.....	611	697	797	633	628
Technical Education.....	1,152	413	391	283	300
Old Age Pensions.....	833	1,537	5,658	10,032	11,500
Legislation—					
House of Commons.....	1,652	1,690	1,786	2,061	2,261
Library of Parliament.....	74	74	76	81	66
Senate.....	539	529	568	650	698
Marine.....	7,514	8,944	8,030	7,262	6,443
Canadian Radio Broadcasting Commis- sion.....					250
Mines and Geological Survey.....	1,250	1,358	1,420	1,264	1,077
Movements of coal and Dominion Fuel Act.....	23	56	514	721	1,271
National Defence—					
Militia service.....	11,044	11,033	10,953	9,700	8,808
Naval service.....	1,836	3,013	3,598	3,043	2,422
Air service.....	5,041	5,921	7,147	4,040	1,750
Sundry services.....	1,753	1,925	1,928	1,347	1,085
National Revenue (including Income Tax).	13,542	13,844	13,972	13,920	11,148
Pensions and National Health—					
Treatment and after-care of returned soldiers.....	7,902	8,494	9,774	11,154	10,811
Pension, war and military.....	41,095	40,032	45,541	48,249	44,500
Health division.....	1,275	1,390	1,342	1,246	965
Post Office.....	34,950	36,557	37,892	36,052	32,073
Privy Council.....	59	58	54	53	51
Public Archives.....	189	203	212	212	175
Public Printing and Stationery.....	291	302	295	289	248
Public Works.....	18,685	19,819	25,453	17,648	13,983
Railways and Canals.....	3,870	4,122	4,479	3,997	4,028
Maritime Freight Rates Act.....	7,178	7,401	10,327	9,187	10,650
Royal Canadian Mounted Police.....	2,800	3,100	3,192	3,488	6,245
Secretary of State.....	426	454	479	483	460
Soldier Settlement Board.....	1,442	1,362	1,300	1,036	851
Trade and Commerce—					
Department.....	3,245	3,252	4,955	6,417	3,335
Mail subsidies and steamship subventions	1,026	1,083	1,323	2,999	2,083
Canada Grain Act.....	1,856	2,271	2,356	2,306	2,136
Total ordinary expenditure.....	350,886	357,707	389,539	372,505	364,425

Premium, Discount and Exchange

It will be noted that only the net balance of the above account is included in the figures. During this fiscal year, the expenditure for this purpose will, it is estimated, total \$8,000,000. Of this amount, \$7,962,000 represents premium paid on gold purchased by the mint, the balance representing exchange on sundry items. This expenditure was more than offset on the revenue side by credits totalling \$8,301,000, resulting from the sale of

New York funds acquired by the shipment of gold, the discount on sterling purchased to meet London requirements, and the discount on sterling securities purchased below par for sinking fund purposes. This makes a net revenue for the year of \$301,000. The inclusion of the net balance only in the accounts avoids the undue inflation of revenue and expenditure arising primarily from the governmental policy of centralizing and controlling the purchase and export of gold.

Capital Expenditures

The amount voted for capital expenditure was \$9,678,100, of which \$9,123,000 will be spent. Last year the expenditures on capital

account amounted to \$16,980,000 and for the year 1930-31 the expenditure was \$28,222,000.

Classified on the usual three-fold basis, capital expenditures for the last five years are presented in the following table:

	Capital Expenditures (000. omitted)				Estimated.
	1928-29	1929-30	1930-31	1931-32	1932-33
Canals..	\$13,164	\$ 9,324	\$ 9,842	\$ 3,299	\$3,129
Railways..	6,302	6,663	6,371	6,242	1,582
Public Works..	3,343	6,574	12,009	7,439	4,412
Total capital expenditures.. . . .	\$22,809	\$22,561	\$28,222	\$16,980	\$9,123

Special Expenditures

Special expenditures, it is estimated, will amount to \$42,483,000. This represents a reduction of \$12,993,000 from the previous year.

The two chief items in this classification are wheat bonus and unemployment relief. The carry-over of wheat bonus paid during the current fiscal year is \$1,826,260, making a total outlay on this account of **\$12,734,689**—considerably larger than was at first contemplated due to the unexpectedly large crop of 1931.

Unemployment Relief

On unemployment relief, the total expenditure during the year will be **\$35,603,000**, which is a larger amount than the current annual

cost of relief due to the fact that there was carried over from the previous year a large expenditure in respect of the Dominion government's share of the cost of relief works, the accounts for which reached us for payment some time after the actual expenditures were incurred by the provinces and municipalities.

The total amount paid in respect of commitments arising out of the 1931 act was \$17,300,000, of which \$12,400,000 was for the public works just mentioned. The amount paid in respect of commitments carried forward from the 1930 legislation was \$553,400, and the payments under the Relief Act of 1932 are estimated at \$17,749,600. The whole expenditure may be summarized as follows:

Public works..	\$12,531,100
Direct relief (including Saskatchewan Relief Commission, \$4,600,000)	19,630,280
Other expenditures, mainly Dominion projects..	3,441,620
	\$35,603,000

A comparative statement showing special expenditures during the last five fiscal years follows:

	Special Expenditures (000 omitted)				
	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Adjustment of War Claims.....	120	95	110	91	72
Cost of Loan Flotations.....	11	17	193	1,350	1,551
Miscellaneous Charges.....	2,056	3,027	2,955	3,500	3,165
Reparations—					
Claims for Compensation.....		6,700	500	1,331	266
Unemployment Relief, 1930.....			4,432	13,190	553
Unemployment Relief, 1931.....				25,106	17,300
Relief Act, 1932.....					17,750
Wheat Bonus.....				10,908	1,826
Reduction of Loans to Soldier Settlers.....			8,599		
Total Special Expenditures.....	2,187	9,839	16,789	55,476	42,483

Loans to Provinces

Loans by the Dominion government to provincial governments under authority of the Relief Act, after taking current repayments into account, amounted to \$17,489,725. The loans carried forward from the previous fiscal year totalled \$22,544,422, on account of which \$2,000,000 was repaid during 1932-33. The total presently outstanding is therefore \$38,034,147.

Two provinces—Manitoba and British Columbia—were given temporary assistance in meeting maturities in New York, undertakings having been given that the loans by the dominion would be repaid from refunding issues in Canada. A portion of such loans has been repaid, as well as \$2,000,000 by British Columbia on account of a similar loan made in the previous year, the result being that the loans to assist provinces to meet their New York obligations increased during the year by a net amount of \$506,716.

The prairie provinces, in the spring of 1932, granted assistance in the form of loans for seed grain and seeding operations to farmers in areas that had suffered from drought, and the Dominion government co-operated in this emergency measure by lending the provinces

the required amounts, aggregating \$6,740,000, on account of which \$630,000 has been repaid, leaving \$6,110,000 presently outstanding.

The loans for other provincial purposes, mainly for the financing of public works and direct relief expenditures, totalled \$8,873,009, of which amount \$6,500,000 was assigned to the financing of provincial and municipal share of the cost of public works under the 1931 relief program, provision for which extended over into the present fiscal year. It will be remembered that in view of conditions existing in the western provinces, the dominion then undertook not only to pay the agreed share of the cost, but also to assist the provinces in the financing of the balance.

In all these cases, the dominion made the loans only after the most pressing representations by the governments of the provinces concerned, and as a temporary measure until these provinces, admittedly subjected to far-reaching readjustments in their budgets, were afforded the time necessary to arrange the financing of their own obligations.

A summary statement showing amounts of loans and the purposes for which they were authorized, follows:

Loans, 1932-33 net outstanding	Loans covering obligations maturing in New York	Loans re assistance to farmers, including purchase of seed grain	Loans for provincial purposes including public works and direct relief	Total
	\$	\$	\$	\$
Manitoba.....	1,944,130	380,000	2,632,580	4,956,710
Saskatchewan.....		5,590,000	2,134,338	7,724,338
Alberta.....		140,000	1,700,000	1,840,000
British Columbia.....	562,586		2,406,091	2,968,677
	2,506,716	6,110,000	8,873,009	17,489,725
Loans, 1931-32 net outstanding.....	9,637,189		10,907,233	20,544,422
Total outstanding.....	12,143,905	6,110,000	19,780,242	38,034,147

Loans and Advances, Non-Active

The final classification of expenditure consists of those advances to corporations which are non-interest-bearing and are regarded as non-active. They are charged as expenditures for the year and are not treated as assets in establishing the net debt of the Dominion.

Steamship Companies

Under the head "Canadian National Steamships," provision is made for the operations of the West Indies service and the Canadian Government Merchant Marine. There was an improvement in the operating results of

the West Indies service in 1932. The cash outlay from the dominion treasury for the year's operations was \$753,716; the corresponding figure for 1931 being \$916,568. However, as \$161,448 of the 1931 loss was not voted until the commencement of the current fiscal year, our accounts for 1932-33 will show total loans of \$915,164 to the Canadian National (West Indies) Steamships.

The operations of the Canadian Government Merchant Marine fleet have been subject to some curtailment and 13 vessels not in service were disposed of during the past year. The dominion treasury furnished \$326,613 for

1932 operating loss but, on the other hand, received back from the company \$2,624,000 as a credit to previous years' advances. Of the latter amount, \$600,000 represented working capital released as a result of lower commodity prices and diminished fleet and \$2,000,000, a surplus transferred from the company's insurance fund. This fund accumulated by reason of the fact that the annual charges for the cost of insurance were greater than the losses realized, and as the government has financed directly the whole cost of the merchant marine, it is appropriate that the surplus so accumulated should, particularly in view of the reduction which has been effected in the operations of the company, be now returned as a credit against the loans

made by the government in previous years. Taking into consideration these refunds, the accounts for the year will show a credit under the classification "Canadian National Steamships" of \$1,383,000.

The other non-active advances include \$500,000 to the Quebec harbour commission, \$2,447,000 to the Canadian Pacific Railway Company to enable the company to keep its shops open and provide employment for labour and \$395,000 for Montreal harbour bridge deficit. The net requirements for loans and advances non-active will therefore be \$1,959,000, as shown in the following statement which gives comparisons also for the previous four years:

Loans and Advances, Non-Active

(000 omitted)

	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Loans to Canadian National Railways.....		2,933			
Loans to Canadian National Steamships....	758	2,491	1,827	1,199	1,383 (cr)
Loans to Quebec Harbour Commissioners...	2,888	2,821	3,491	1,379	500
Miscellaneous non-active accounts.....		17	170	534	395
Canadian Pacific Railway (relief acts).....					2,447
Accounts carried as active assets transferred to non-active.....	10,000				
	13,646	8,262	5,488	3,112	1,959

Summary of Expenditures

Grouping the 1932-33 expenditures together as in the following comparative table, it will be observed that the total of government

expenditures for the year amounted to \$417,-990,000 as compared with \$448,073,000 in 1931-32, a reduction of \$30,000,000.

Summary of Expenditures

(000 omitted)

	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Ordinary expenditures.....	350,886	357,707	389,539	372,505	364,425
Capital expenditures.....	22,809	22,561	28,222	16,980	9,123
Special expenditures.....	2,187	9,839	16,789	55,476	42,483
Loans and advances non-active.....	13,646	8,262	5,488	3,112	1,959
	389,528	398,369	440,038	448,073	417,990

Canadian National Railways

All of the money required for the Canadian National Railways in 1932 was provided from the dominion treasury.

It is well-known that as regards the volume of railway traffic, the year was very disappoint-

ing. Taking the system as a whole gross operating revenues suffered a decline of 19 per cent or over \$39,000,000 as compared with the previous year. Notwithstanding that the management paralleled this decrease of \$39,-000,000 in gross earnings by a reduction of

\$44,000,000 in operating expenses, the net financial result for the year, after absorbing fixed charges due the public and exchange premium, was only slightly more favourable than in 1931. The dominion was required to provide in cash \$60,058,506 for deficits, as compared with \$60,968,438 in the previous year. These figures are for the whole system, including eastern lines, and take no account of interest amounting to \$35,500,000 accrued in the accounts of the railways, but not paid, on loans by the government to the company.

In addition to provision for deficits, cash must also be furnished for debt retirement and capital expenditures. The former are, of course, fixed and uncontrollable. Capital expenditures, however, have been drastically curtailed, the net in 1932, after crediting equipment retirements, amounting to \$799,158, as compared with a corresponding figure of \$34,373,262 in 1931.

The following statement gives a comparison of the financial requirements of the system for 1932, as compared with the budget estimates, and actual requirements in 1931:

Canadian National Railways—Financial requirements

	Actual 1932	Budget 1932	Actual 1931
	\$	\$	\$
Deficit—			
System (ex. eastern lines).....	53,422,661	42,784,610	52,255,676
Eastern lines.....	6,635,845	6,217,400	8,712,762
Total.....	60,058,506	49,002,010	60,968,438
Capital expenditures.....	799,158	7,033,738	34,373,262
Debt retirement.....	11,510,178	11,681,652	10,041,691
Discount on securities issued.....			4,226,030
	72,367,842	67,717,400	109,609,420
Less working capital available.....	4,231,997		633,155
Amount required.....	68,135,845	67,717,400	108,976,265

Of the total of \$72,367,842 required by the railways in 1932, \$4,231,977, it will be seen, was secured from the working capital funds of the company; the balance of \$68,135,845 was furnished by the government—\$6,635,845 by payment of the deficit on the eastern lines as a charge on the consolidated revenue fund, and \$61,500,000 by loan to the company under authority of the Canadian National Railways Financing and Guarantee Acts, passed at the 1932 session. The whole of the amount authorized was paid.

One of the recommendations of the Royal Commission on Railways and Transportation, to which effect is being given in the legislation now before parliament, is that sums which are required to meet deficits should be voted by parliament annually. To implement this recommendation, the government has submitted an estimate of \$53,422,661 in respect of the income deficit of the system in 1932, (excluding the loss on eastern lines already provided for by vote). This amount will be credited against the loans of \$61,500,000, above referred to, leaving a balance owing the government of \$8,077,339, which will remain standing as an interest-bearing loan, repre-

sented as it does outlay for capital account and debt reduction.

At the same time, loans of \$41,121,216 made by the government to the Canadian National Railway Company in the fiscal year 1931-32 in respect of railway operations in 1931, will be transferred from the category of active to non-active assets, as these also represent loans for deficits. They will be added to the \$614,000,000 of non-active assets shown in the public accounts for loans to railway companies and for the purchase of capital stock.

In so far as the accounts of the railway company are concerned, the ultimate treatment of government advances, prior to the year 1932, representing partly losses and partly capital expenditures, will be governed by the action of the proposed board of trustees to whom the control and management of the railways will be entrusted. The royal commission has recommended that the question of the capital structure of the system have the early attention of the board of trustees. It should be understood, however, that so far as the government's accounts are concerned, the effect of treating these railway advances

as non-active assets, has already been to absorb them fully into the government debt.

As at March 31, 1933, the funded debt of the Canadian National Railways due the public will amount to about \$1,263,000,000, having been reduced by \$11,000,000 in the past year. Of the amount outstanding, \$965,000,000 bears the guarantee of the dominion.

The company has also been able to retire a temporary debt of \$9,008,250, by the utilization of working capital released through reductions in stores and material accounts. This debt represented the construction cost of the Mani-

toba Northern railway, a branch line undertaken in 1927 and financed under authority of order in council by temporary bank loans.

Harbour Commissions

Advances to harbour commissions totalled \$6,657,000, a considerable reduction from the previous year when upwards of \$14,000,000 was loaned. For the most part, this sum represents capital cost of port developments inaugurated some years ago. A statement of the advances in 1932-33 and four previous years, and the total advances to date, is as follows:

Advances to Harbour Commissions

(000 omitted)

	1928-29	1929-30	1930-31	1931-32	Estimated 1932-33
	\$	\$	\$	\$	\$
Chicoutimi.....	500	815	846	465	324
Halifax.....	30	1,272	3,539	2,752	1,023
Montreal—Construction.....	1,370	4,336	2,291	1,412	614
Montreal—Bridge.....			170	534	395
New Westminster.....				189	56
Quebec.....	2,888	2,821	3,491	1,379	500
Saint John.....	602	1,711	1,094	5,764	2,581
Three Rivers.....		136	1,544	747	255
Vancouver.....	1,596	345	2,802	809	909
	6,986	11,436	15,777	14,051	6,657

Advances to date

	\$
Chicoutimi.....	2,950
Halifax.....	8,616
Montreal—Harbour.....	58,003
Montreal—Bridge.....	1,099
New Westminster.....	245
Quebec.....	26,309
Saint John—Harbour.....	11,752
Three Rivers.....	2,682
Vancouver.....	22,326
	133,982

It has been the practice to carry these loans, with the exception of those for the Quebec commission and the Montreal harbour bridge deficit, as active assets, on the assumption that they represented capital works that would sustain the debt incurred for them. Clearly, that has not been the situation with respect to the Chicoutimi, Three Rivers, Halifax and Saint John commissions. Interest can be paid only because it is added to the construction cost. It is proposed to transfer the advances to these commissions totalling \$26,000,000, to the non-active category at once, as the financial position of these commissions

is anything but satisfactory. It may be observed that Sir Alexander Gibb's recommendations for the control and operation of national ports would, if put into effect, involve further adjustments in the manner of recording the expenditures which the government has made for their development.

Canadian Farm Loan Board

The dominion continued to purchase at par the board's 5 per cent bonds to the extent that loaning operations required. Bonds purchased amounted to \$850,000 and a subscription of \$70,650 was made to capital stock.

The capital furnished from the dominion treasury for the operations of the board now aggregates \$8,137,115, divided as follows:

Initial capital.. . . .	\$5,050,000
Purchase of bonds.. . . .	2,650,000
Purchase of capital stock.. . . .	437,115
	<u>\$8,137,115</u>

Having presented the revenues and expenditures under the appropriate classifications, we are now in a position to indicate the net results of the dominion's accounts for the year. Minor adjustments have yet to be made before the accounts are closed, but the figures given are believed to approximate the final balances for the year.

With ordinary expenditures totalling \$364,425,000 and revenues of \$310,817,000 it will be observed that the resulting deficit on ordinary account is \$53,608,000.

When the budget was brought down last year, it was expected that the taxation proposals then submitted would increase the receipts to such an extent that there would be at least a balancing of the budget on ordinary account. The actual expenditure, as has been indicated has closely approximated the estimate. The explanation for the deficiency on ordinary account is therefore found in the failure of the revenues to attain the expected yield due to falling prices and shrinkage in business activity.

Special expenditures, including \$37,400,000 for unemployment relief and wheat bonus, amounted to \$42,483,000. If against this sum there is applied \$4,473,000 received in special revenues, there remains a balance of special expenditures not provided from income, of \$38,010,000. In addition there are the capital expenditures of \$9,123,000 and net loans and advances non-active of \$1,959,000. The resulting increase of debt on government operations for the year is therefore \$102,700,000, as compared with a corresponding figure in the previous year of \$114,234,000.

To give effect to the assimilation in our accounts of the deficit of the Canadian National Railways, the increase in debt of \$102,700,000 on government operations will be augmented, as previously referred to, by the addition of a special charge of \$53,422,000, resulting in a total addition to the debt, after taking into consideration the year's operations both for government and the railways, of \$156,122,000.

In the balance sheet, effect will be given also to the transfer from active to non-active assets of \$41,000,000 of advances to the Canadian National Railways in 1931-32, and of \$26,000,000 of loans to harbour commissions, as already referred to.

Loan Flotations

The dominion has been able to arrange for the orderly financing of all requirements during the year, including provision for maturing securities and the financing of the Canadian National Railways.

External borrowings in 1932-33 were for the purpose of meeting maturing obligations in New York. An issue of one-year 4 per cent treasury notes dated October 1, 1932, for the amount of \$60,000,000, was sold to a New York banking group at 99.28 and accrued interest. From the proceeds of this issue a 5 per cent temporary bank loan, then standing at \$13,000,000 but originally negotiated in 1931 for \$19,000,000, almost entirely for railway purposes, was paid off and the cash balances of the dominion held in New York were restored to the extent that they had been utilized in making periodic payments on account of this indebtedness. The other maturing obligation paid from the proceeds of this sale was the issue of \$40,000,000 two-year 4 per cent notes which fell due December 1, 1932.

In Canada \$85,000,000 was raised by the sale of treasury notes to the chartered banks. The first issue dated August 1, 1932, was for one year at 4½ per cent and was sold at par and accrued interest. The other issue of two-year notes, dated November 1, 1932, was for \$35,000,000 at 4 per cent and was sold at par and accrued interest. In addition, for temporary financing, \$12,000,000 of 90-day 4 per cent treasury bills dated October 15, 1932, were sold to the banks at par. These were called for redemption on November 3.

A public issue of securities was made in Canada at the end of October. The offering was for \$80,000,000 4 per cent bonds dated October 15, 1932, divided into two maturities:—\$25,000,000 of three-year bonds and \$55,000,000 of twenty-year bonds. The three-year bonds were sold at 99.20 and interest, yielding 4.28 per cent; and the twenty-year bonds at 93.45 and interest, yielding 4½ per cent. The three-year maturity was immediately over-subscribed about three times, and all subscriptions in excess of \$25,000 were allotted on a percentage basis. The twenty-year maturity moved more slowly but the books were closed shortly before the date set with a slight over-subscription, the total amount of the issue being \$56,191,000. The whole issue is payable in Canada only, and the twenty-year bonds are subject to redemption at par after fifteen years.

The sale of the 4 per cent loan of 1932 was in charge of a committee representing banks and investment houses, under the chairmanship of Sir Charles Gordon, president of the

Bank of Montreal, and operated along lines similar to that employed in the national service and conversion loans of 1931.

The expense of raising the loan, including commissions, advertising, printing, and delivery of securities, was about three-quarters of one per cent.

The proceeds of the issue were used for the purpose of paying off \$34,449,950 of 5½ per cent renewal loan bonds which remained outstanding after the conversion loan of 1931, and the balance of the proceeds was devoted to the general purposes of the government.

It is well to record that with this issue new ground was broken and for the first time there

was offered for public subscription in Canada, a dominion security bearing a 4 per cent coupon.

While this factor produced some sales resistance, notwithstanding that the yield to the investor on the twenty-year maturity was actually 4½ per cent, it speaks well not only for the organization which conducted the sale of the loan, but also for the responsiveness of investors to the prime security of Canada that the issue met with success.

The direct obligations of the dominion in the form of unmatured funded debt are listed in the following statement:

Unmatured Funded Debt as of March 31, 1933, and Annual Interest Charges

Date of maturity		Rate	Where payable	Amount of loan		Annual interest charges	
		%		\$	cts.	\$	cts.
1933—Aug.	1	4½	Canada	50,000,000	00	2,250,000	00
Oct.	1	4	New York	60,000,000	00	2,400,000	00
Nov.	1 (a)	5½	Canada	169,971,850	00	9,348,451	75
1934—June	1	3½	London	23,467,206	27	821,352	22
July	1	5	Canada	33,293,470	85	1,664,673	54
Nov.	1	4	Canada	35,000,000	00	1,400,000	00
Nov.	1	5½	Canada	226,138,350	00	12,437,609	25
1935—Aug.	1 (a)	5	Canada and New York	874,000	00	43,700	00
Oct.	15	4	Canada	25,000,000	00	1,000,000	00
1936—Feb.	1	4½	New York	40,000,000	00	1,800,000	00
Nov.	15	5	Canada	79,535,200	00	3,976,760	00
1937—Mar.	1 (a)	5	Canada and New York	90,166,900	00	4,503,345	00
Dec.	1 (a)	5½	Canada	236,299,800	00	12,996,489	00
1938—July	1	3	London	8,071,230	16	242,136	90
July	1	3	London	18,250,000	00	547,500	00
July	1	3	London	10,950,000	00	328,500	00
July	1	3½	London	15,056,006	66	526,960	23
1940—Sept.	1	4½	Canada	75,000,000	00	3,375,000	00
1941—Nov.	15	5	Canada	141,663,000	00	7,083,150	00
1943—Oct.	15	5	Canada	147,000,100	00	7,350,005	00
1944—Oct.	15	4½	Canada	50,000,000	00	2,250,000	00
1946—Feb.	1	4½	Canada	45,000,000	00	2,025,000	00
1947—Oct.	1	2½	London	4,888,185	64	122,204	64
1950—July	1	3½	London	137,058,841	00	4,797,059	43
1952—May	1	5	New York	100,000,000	00	5,000,000	00
Oct.	15	4	Canada	56,191,000	00	2,247,640	00
1956—Nov.	1	4½	Canada	43,125,700	00	1,940,656	00
1957—Nov.	1	4½	Canada	37,523,200	00	1,688,544	00
1958—Nov.	1 (b)	4½	Canada	276,688,100	00	12,450,964	50
1959—Nov.	1 (c)	4½	Canada	285,771,800	00	12,859,731	00
1960—Oct.	1	4	London	93,926,666	66	3,757,066	67
Oct.	1	4	New York	100,000,000	00	4,000,000	00
				2,715,910,607	24	127,239,499	13
Payable in Canada				\$ 2,013,201,570	85	74.13%	
Payable in Canada and New York				91,040,900	00	3.35	
Payable in New York				300,000,000	00	11.05	
Payable in London				311,668,136	39	11.47	
				\$ 2,715,910,607	24	100.00%	
Less bonds and stocks of the above loans held as sinking funds				66,001,724	51		
				\$ 2,649,908,882	73		

(a) Tax free in Canada.

(b) Tax free to Nov. 1, 1933, 5½% to Nov. 1, 1933.

(c) 5½% to Nov. 1, 1934.

Indirect Liabilities

A statement is submitted presenting in detail the various bond issues guaranteed by the dominion outstanding in the hands of the public as of March 31, 1933, of a total par value of \$996,148,354, or \$4,300,000 under the figure of a year ago. There are, in addition, contingent liabilities of a special character assumed under the several relief acts. These include guarantees in connection with wheat marketing, the Province of Manitoba Savings Office, the Beauharnois Light, Heat and Power Company and Newfoundland.

In the budget speech of last session, mention was made of the guarantee given by the government to chartered banks in respect of their advances to Canadian Co-operative Wheat Producers Limited, arising out of operations in connection with the 1930 crop, and also with respect to the banking accommodation guaranteed to the wheat pools in the three western provinces in connection with the marketing of the 1931 crop. In connection with the latter operations, the advances made by the banks and guaranteed by the government were repaid with the exception of small balances transferred to the present crop year, and no liability has accrued against the government in respect of its guarantee for the marketing of the 1931 crop.

In response to urgent requests of the governments of the three western provinces, similar arrangements were effected for financing the 1932 crop and consequently, under authority of order in council of September 20, 1932, P.C. 2077, passed pursuant to the Relief Act, 1932, a guarantee was authorized, subject to certain safeguarding provisions, of advances to the three provincial pools arising out of the marketing of last year's crop. In the case of the Manitoba organization, the limit of credit was established at \$1,395,000; for Saskatchewan, at \$15,000,000; and for Alberta, at \$9,000,000. Within the last few days, arrangements were made by which a guarantee was given to enable the pools to distribute an additional 5 cents per bushel to farmers whose grain of the 1932 crop is being marketed on the pool plan. This action was taken so that an increased percentage of the value of their grain might be available at seeding time. Under these guarantees, the liability of the government accrues only after the crop has been marketed, and there is no ground for anticipating any less favourable outcome than in connection with the financing of the crop of the previous year.

The guarantee of advances to Canadian Co-operative Wheat Producers Limited in connection with the 1930 crop remains in effect, and it was necessary during the past season for the company to increase its liability as a result of stabilizing transactions which it was considered expedient in the public interest to support. To these operations the government gave its guarantee. The steadiness which has developed in the wheat market has undoubtedly vindicated the action then taken and the question of ultimate liability will depend entirely upon the future course of wheat prices.

By order in council of April 28, 1932, P.C. 972, effect was given to an undertaking by which, in the month of February of that year, the dominion guaranteed the chartered banks doing business in Winnipeg from loss in respect of the assumption by these banks of all liabilities of the Province of Manitoba Savings Office. The banks received from the province of Manitoba as security for the assumption of such liabilities, \$12,442,400 one-year 5½ per cent treasury bills, maturing February 27, 1933, and on the maturity of these bills the banks were willing to accept a renewal, less the sum of \$334,098 paid on principal account, provided the guarantee was continued. This the governor in council authorized under minute of February 22, 1933, P.C. 318.

In connection with the Beauharnois power project, the government has guaranteed advances of a principal amount of \$15,539,000 made by several of the banks to finance construction work. These advances are secured in practically double this sum by the deposit of first mortgage bonds of the Beauharnois Light, Heat and Power Company which, in the opinion of the government affords ample security. The orders in council relating to this guarantee are dated July 11, 1932 (P.C. 1577) and February 6, 1933, (P.C. 213).

Finally, mention may be made of the assistance rendered jointly with the government of the United Kingdom, which enabled Newfoundland to meet interest obligations due January 1 last. The commitment of Canada relates to the guarantee of a bank loan of \$625,000, bearing interest at the rate of 5 per cent.

The indirect obligations represented by guaranteed securities outstanding in the hands of the public are set out in the statement which follows:

Bonds Guaranteed by Dominion Government as at March 31, 1933

Date of maturity	Issue	Interest rate	Amount outstanding	
		%	\$	cts.
Sept. 1, 1934.....	Canadian Northern.....	4	17,060,333	33
Feb. 15, 1935.....	Canadian Northern.....	4½	17,000,000	00
Sept. 1, 1936.....	Grand Trunk.....	6	24,220,000	00
Oct. 1, 1940.....	Grand Trunk.....	7	23,989,000	00
Dec. 1, 1940.....	Canadian Northern.....	7	23,779,000	00
July 1, 1946.....	Canadian Northern.....	6½	24,238,000	00
April 1, 1948.....	New Westminster Harbour Commission.....	4½	700,000	00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000	00
Aug. 1, 1952.....	Saint John Harbour Commission.....	5	667,953	04
July 10, 1953.....	Canadian Northern.....	3	9,359,996	72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000	00
Sept. 15, 1954.....	Canadian National.....	4½	26,000,000	00
Mar. 1, 1955.....	Canadian National (West Indies) Steamships	5	9,400,000	00
June 15, 1955.....	Canadian National.....	4½	50,000,000	00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000	00
July 1, 1957.....	Canadian National.....	4½	65,000,000	00
July 20, 1958.....	Canadian Northern.....	3½	7,896,561	63
May 4, 1960.....	Canadian Northern Alberta.....	3½	3,149,998	66
May 19, 1961.....	Canadian Northern Ontario.....	3½	34,229,996	87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000	00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848	00
Dec. 1, 1968.....	Canadian National.....	4½	35,000,000	00
July 1, 1969.....	Canadian National.....	5	60,000,000	00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000	00
Nov. 1, 1969.....	Harbour Comm. of Montreal.....	5	19,000,000	00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000	00
By tenders or drawings.....	Canadian National.....	2	28,268,505	40
Various dates 1933-54.....	City of Saint John debentures assumed by Saint John Harbour Commissioners.....	Various	1,299,018	80
Serial—Feb. 1 and Aug. 1, 1933-38.....	Canadian National Equip. G.....	5	8,250,000	00
Perpetual.....	Grand Trunk Guaranteed Stock.....	4	60,833,333	33
".....	Grand Trunk Debenture Stock.....	5	20,782,491	67
".....	Great Western Debenture Stock.....	5	13,252,322	67
".....	Grand Trunk Debenture Stock.....	4	119,839,014	33
".....	Northern Railway of Canada Debenture Stock.....	4	1,499,979	67
			996,148,354	12

The statistical presentation of the dominion's financial position is completed with the submission of the balance sheet enumerating the assets and liabilities, estimated as of March 31, 1933. Total liabilities are shown at \$2,990,315,000. After deducting from this

amount active assets made up of cash balances, specie reserve, income-producing and current assets, totalling \$391,226,000, the resulting net debt is shown at \$2,599,089,000. The statement is as follows:

Active Assets, March 31, 1933 (Estimated)

Cash, working capital advances and other current assets.. . .		\$ 10,461,000
Specie reserve.....		72,600,000
Advances to banks under Finance Act.. . . .		42,400,000
Loans to provinces for housing.....	\$10,382,000	
Loans to provinces, Relief Act, 1931.. . . .	38,034,000	
		48,416,000
Loans to foreign governments—		
Greece.....	6,525,000	
Roumania.....	23,969,000	
		30,494,000
Loans to harbour commissioners—		
Montreal.. . . .	58,003,000	
Vancouver.. . . .	22,326,000	
New Westminster.. . . .	245,000	
		80,574,000

Active Assets, March 31, 1933 (Estimated)—Concluded.

Canadian National Railways.. . . .	16,340,000
Canadian Farm Loan Board.. . . .	8,137,000
Soldier and general land settlement.. . . .	47,755,000
Seed grain and relief advances.. . . .	2,397,000
Canadian government railways open and stores accounts.. . . .	15,749,000
Deferred debits—	
Unamortized discount and commission on loans.. . . .	15,903,000
	<hr/>
	\$391,226,000

Liabilities, March 31, 1933 (Estimated)

Dominion notes outstanding.. . . .	\$ 176,200,000
Bank circulation redemption fund.. . . .	6,585,000
Insurance and superannuation funds—	
Government annuities.. . . .	\$ 28,425,000
Insurance fund, civil service.. . . .	7,790,000
Insurance fund, returned soldiers.. . . .	11,242,000
Retirement fund.. . . .	7,205,000
Superannuation funds.. . . .	42,880,000
	<hr/>
	97,542,000
Trust funds—	
Indian funds.. . . .	13,500,000
Common school funds.. . . .	2,672,000
Contractors' securities deposits.. . . .	350,000
Other trust funds.. . . .	2,120,000
	<hr/>
	18,642,000
Contingent and special funds.. . . .	1,975,000
Post office money orders, postal notes, etc., outstanding.. . . .	3,080,000
Province accounts.. . . .	9,623,000
Post Office Savings Bank deposits.. . . .	22,700,000
Funded debt—	
Unmatured.. . . .	2,649,908,000
Matured but not presented for payment.. . . .	1,960,000
	<hr/>
	2,651,868,000
Interest coupons matured but not presented for payment.. . . .	2,100,000
	<hr/>
	\$2,990,315,000

Non-active Assets, March 31, 1933 (Estimated)

Canadian National Railways.. . . .	\$ 655,527,000
Canadian National Steamships.. . . .	15,367,000
Harbour commissioners—	
Quebec.. . . .	\$ 26,309,000
Chicoutimi.. . . .	2,950,000
Halifax.. . . .	8,616,000
Saint John.. . . .	11,752,000
Three Rivers.. . . .	2,762,000
Montreal south shore bridge.. . . .	1,099,000
	<hr/>
	53,488,000
Seed grain and relief advances.. . . .	487,000
Soldier and general land settlement.. . . .	16,513,000
Miscellaneous advances.. . . .	3,445,000
Capital accounts—	
Canals.. . . .	240,206,000
Railways.. . . .	443,516,000
Public buildings, bridges and other improvements.. . . .	24,757,000
Military property and stores.. . . .	12,035,000
Territorial accounts.. . . .	9,896,000
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	953,402,000
Railway accounts (old).. . . .	88,399,000
Consolidated fund balance as at debit, March 31, 1933.. . . .	812,461,000
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Net debt, March 31, 1933.. . . .	\$2,599,089,000

Estimated Revenues and Expenditures 1933-34

Based upon current rates of taxation the revenues for the next fiscal year are estimated at \$287,230,000 made up as follows:

Taxation revenue:	
Customs duties.. . . .	\$72,000,000
Excise duties.. . . .	38,000,000
Income tax.. . . .	40,000,000
Sales tax.. . . .	59,000,000
Manufacturers', stamp, importation and other special taxes.. . . .	26,655,000
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	\$235,655,000
Non-tax revenue:	
Post office.. . . .	30,100,000
Interest on investments.. . . .	11,400,000
Other sources.. . . .	10,075,000
	<hr/>
	51,575,000
Total.. . . .	<hr/>
	\$287,230,000

With revenues so reduced, it becomes incumbent on the government not only to propose measures which will add substantially to the present income, but also to put into effect every reasonable economy in the administrative cost of the public service. The estimates for the ordinary services of government in the fiscal year 1933-34 total \$369,429,000, a figure which closely corresponds to the actual expenditure in the present fiscal year after taking into account the estimated increase in interest on public debt and pensions. The gap therefore between the revenues at the present yield and the estimated ordinary expenditures is \$82,000,000.

Last year, attention was directed to the extent to which the government had endeavoured to meet existing conditions by reductions in the expenditures within its control. For the purpose of making comparisons, special expenditures for unemployment and farm relief and the railway deficit, are set aside, but all other expenditures on capital as well as ordinary account, are taken into consideration. These expenditures, controllable and uncontrollable together, have fallen from \$427,000,000 in 1930-31 to \$381,000,000 in the current fiscal year, a reduction of slightly over ten per cent. Opportunities for the reduction of expenses, however, are necessarily confined to the expenditures that are controllable, as opposed to those which are fixed and generally uncontrollable, of which the main items are debt charges, pensions, subsidies and ex-soldiers' care. The controllable expenditures in the present year have been \$145,000,000 as compared with \$208,000,000 in 1930-31, a decrease of \$63,000,000 or thirty per cent. The estimates for next year indicate a further saving of about 3½ millions in this class of expenditure.

Under the urgent pressure of declining revenues, it is considered necessary that fur-

ther substantial economies should be made. It is proposed therefore that the original allotments to departments of the votes for controllable services should, when supply is released in the new fiscal year, be so modified that ten per cent of the total, or approximately \$14,000,000, will be withheld. This saving cannot be achieved by a uniform deduction from all services. The percentage may be smaller in some and larger in others, but the object in view will be to so adjust expenditures that this further economy will be effected with the minimum disturbance to personnel and to essential public services.

It is perhaps hardly necessary to say that such a measure will entail not only the earnest cooperation of employees of the civil service, but also a measure of forbearance on the part of the public generally. Recently, the Treasury Board appointed a committee of officials to review and report upon the cost of government printing and stationery with a view to the formulation of regulations and procedure which would, with an effective cooperation from the civil service, as well as the public, result in substantial savings in that direction. There are other avenues for improved and economical administration which it will be necessary to explore.

In this connection, I may say that with respect to pensioners who are in the employ of the government and who are paid the salary of the position, action will be taken whereby the payment of pension will be suspended during the period of such employment. Where the full salary of the position is not paid, the pension payment may not exceed the amount of the difference between salary received and the established salary of the position. If the pension is greater than the salary, the employee shall elect either to be paid the pension and relinquish the position, or to retain the position and have the

pension withheld during the period of such employment. This will be made applicable not only to the government service but also to boards or commissions whose activities are financed from the dominion treasury.

Not only in the government services, but also in the budgets of the railways and other bodies financed by the dominion, are we endeavouring to meet the exigencies of the day. Economies instituted by the Canadian National Railways in the course of the year 1932 will be fully reflected in the 1933 operations. Last week this house gave second reading to the legislation to make effective the recommendations of the Royal Commission on Railways and Transportation, under the provisions of which additional large savings should, in course of time, be attained. Mention may also be made of the proposed legislation relating to the administration and control of our national ports, based upon the report of Sir Alexander Gibb. The measures for coordination of administration and more effective control and supervision of capital expenditures, may be expected to afford further relief to the dominion treasury.

After making allowance for this estimated reduction of \$14,000,000, ordinary expenditures will be approximately \$68,000,000 in excess of revenues estimated on present rates and yield. Accordingly it is proposed to recommend measures which will, it is anticipated, produce at least \$70,000,000 on the basis of present business conditions, leaving a surplus of \$2,000,000. Even a slight improvement in price levels and the general volume of business would increase substantially the surplus to be applied against capital and special expenditures. Capital expenditures for the coming year are estimated at \$7,166,000. It is difficult at this time to make a precise estimate of special expenditures, but in view of the practical completion of public works projects for which commitments had been made under the 1930 and 1931 relief acts, it is clear that the total should be substantially less than during the present fiscal year. Special expenditures and non-active advances will probably not exceed \$35,000,000.

If business conditions do not improve, estimated revenues will not cover these special expenditures for unemployment relief nor the Canadian National Railways deficit, estimated at \$47,941,000. It is nevertheless the considered view of the government that the reduction in expenditures for the ordinary public services outlined above, and the proposed increases in taxation represent as drastic a fiscal program as should be contemplated

at the moment although further proposals with respect to the railway deficit are subject to review before the close of the session.

Income Tax

It is proposed to raise the rate of taxation on incomes of corporation and joint stock companies to 12½ per cent, and to remove the exemption of \$2,000 in respect of such incomes. Where a corporation files a consolidated return of its own income and the income of its subsidiaries, the rate of tax is to be 13½ per cent. The surcharge of 5 per cent of the amount of tax otherwise payable in respect of corporation incomes in excess of \$5,000 is to be absorbed into the new rate.

In respect of the tax on personal incomes, the statutory exemption, where heretofore \$2,400 will be reduced to \$2,000, and where heretofore \$1,200 will be reduced to \$1,000. The exemption for dependent children is to be lowered from \$500 to \$400. The exemption for parents, grandparents, brothers and sisters, is to be the actual amount expended up to a maximum of \$400. The surcharge of 5 per cent in respect of personal incomes in excess of \$5,000 will be continued.

A new schedule of rates will be inserted in the act applicable to all incomes in excess of the exemptions and allowances. The changes in the exemptions and in the rates of tax will apply to incomes of 1932. The following statement indicates the proposed increase in taxation in the case of a married person without dependents at various amounts of income:

Schedule Showing Taxes Payable on Certain Incomes under the present rates and under the proposed rates with an Exemption of \$2,000 for Married Persons and \$1,000 for Single Persons and commencing the first \$1,000 of Taxable Income at 3%.

Married Person, No Dependent

Income	Present Tax	Proposed Tax	Increase
	\$ cts.	\$ cts.	\$ cts.
2,000.....			
2,100.....		3 00	3 00
2,200.....		6 00	6 00
2,300.....		9 00	9 00
2,400.....		12 00	12 00
2,500.....	2 00	15 00	13 00
2,600.....	4 00	18 00	14 00
2,700.....	6 00	21 00	15 00
2,800.....	8 00	24 00	16 00
2,900.....	10 00	27 00	17 00
3,000.....	12 00	30 00	18 00
4,000.....	32 00	70 00	38 00
5,000.....	58 00	120 00	62 00
6,000.....	98 70	189 00	90 30
7,000.....	147 00	262 50	115 50
8,000.....	205 80	346 50	140 70

Schedule Showing Taxes Payable on Certain
Incomes, etc.—Concluded

Married Person, No Dependent

Income	Present Tax	Proposed Tax	Increase
	\$ cts.	\$ cts.	\$ cts.
9,000.....	275 10	441 00	165 90
10,000.....	354 90	546 00	191 10
11,000.....	445 20	661 50	216 30
12,000.....	546 00	787 50	241 50
13,000.....	657 30	924 00	266 70
14,000.....	779 10	1,071 00	291 90
15,000.....	911 40	1,228 50	317 10
16,000.....	1,054 20	1,396 50	342 30
17,000.....	1,207 50	1,575 00	367 50
18,000.....	1,371 30	1,764 00	392 70
19,000.....	1,545 60	1,963 50	417 90
20,000.....	1,730 40	2,173 50	443 10
25,000.....	2,788 80	3,349 50	560 70
30,000.....	3,918 60	4,588 50	669 90
35,000.....	5,100 90	5,880 00	779 10
40,000.....	6,335 70	7,224 00	888 30
45,000.....	7,623 00	8,620 50	997 50
50,000.....	8,962 80	10,069 50	1,106 70
55,000.....	10,355 10	11,571 00	1,215 90
60,000.....	11,799 90	13,125 00	1,325 10
65,000.....	13,297 20	14,731 50	1,434 30
70,000.....	14,847 00	16,390 50	1,543 50
75,000.....	16,449 30	18,102 00	1,652 70
80,000.....	18,104 10	19,866 00	1,761 90
85,000.....	19,811 40	21,682 50	1,871 10
90,000.....	21,571 20	23,551 50	1,980 30
95,000.....	23,383 50	25,473 00	2,089 50
100,000.....	25,248 30	27,447 00	2,198 70
110,000.....	29,108 10	31,521 00	2,412 90
120,000.....	33,072 90	35,700 00	2,627 10
130,000.....	37,142 70	39,984 00	2,841 30
140,000.....	41,317 50	44,373 00	3,055 50
150,000.....	45,597 30	48,867 00	3,269 70
175,000.....	56,597 10	60,396 00	3,798 90
200,000.....	67,859 40	72,187 50	4,328 10
225,000.....	79,384 20	84,241 50	4,857 30
250,000.....	90,934 20	96,558 00	5,623 80
275,000.....	102,721 50	109,137 00	6,415 50
300,000.....	114,534 00	121,978 50	7,444 50
325,000.....	126,583 80	135,082 50	8,498 70
350,000.....	138,658 80	148,449 00	9,790 20
375,000.....	150,971 10	162,078 00	11,106 90
400,000.....	163,308 60	175,969 50	12,660 90
450,000.....	188,483 40	204,298 50	15,815 10
500,000.....	214,183 20	233,152 50	18,969 30
600,000.....	266,658 00	291,931 50	25,273 50
700,000.....	319,158 00	350,731 50	31,573 50
800,000.....	371,658 00	409,531 50	37,873 50
900,000.....	424,158 00	468,331 50	44,173 50
1,000,000.....	476,658 00	527,131 50	50,473 50

certificate disclosing certain necessary information with respect to the owner of such coupons. The ownership certificates attached to the coupons will be forwarded by the paying agents to the debtor corporations which will be required to segregate them and to file them with the commissioner of income tax under a covering form.

A tax of 5 per cent is to be imposed at the source on all interest or dividends paid by Canadian debtors to non-residents of Canada. In this connection I may remind you that the Dominion Income Tax Act contains a section providing for a credit to Canadian residents in respect of taxes paid abroad, provided that other countries grant reciprocal allowances. Similar provision is contained in the tax legislation of those countries in which there reside any considerable number of persons who would be affected by this new impost.

A tax of 5 per cent is also to be imposed at the source on all interest or dividends received by way of bearer coupons or cheques by Canadian residents where such coupons or cheques are payable, by Canadian debtors, optionally or otherwise in foreign currencies, and such coupons or cheques are cashed in a currency which is at a premium over par of Canadian funds.

The Income War Tax Act will also be subject to other amendments of a minor character, designed primarily to strengthen its administrative provisions.

Sales Tax

The sales tax will remain at 6 per cent as at present. Additional revenue will be derived from a limited adjustment of the exempt and partially exempt list, in the case of a number of articles not primary products which it is believed should, under present conditions, carry a proportionate share of the tax burden. The chief items to be taken from the exempt list are materials and non-permanent equipment entering into the manufacture of goods subject to the sales tax, fuel oil, molasses, corn syrup and sugar cane syrup, cleaned rice, sago and tapioca, certain other processed food-stuffs, and certain types of machinery and appliances.

All items included in schedule IV of the Special War Revenue Act, now taxable at 3 per cent, will be subject to tax at the full rate of 6 per cent, with the exception of articles manufactured or produced by the labour of the blind in institutions in Canada established for their care or under the control or direction of such institutions.

It is felt that higher rates of taxation could not reasonably be imposed, bearing in mind not only the depleted incomes out of which the tax must be paid but also the fact that in some provinces the same incomes will be subjected to further levies for provincial and/or municipal purposes.

In order to ensure that income from bearer coupons does not escape taxation, it is proposed that all bearer coupons must have attached thereto a duly completed ownership

Excise Taxes

Special excise taxes will be levied on the following products at the rates specified; cosmetics and toilet preparations, 10 per cent on the duty paid value, when imported, or the manufacturer's sale price, when manufactured in Canada; automobile tires and tubes, 5 per cent on the duty paid value or the manufacturer's sale price; cigarette papers, in sheets, packaged or not, imported into or manufactured in Canada, 2 cents per hundred leaves; and cigarette tubes, imported into or manufactured in Canada, 5 cents per fifty tubes. In the two last-named cases the tax will be collected by requiring the importer or manufacturer to affix stamps to the packages of paper or tubes.

A special excise tax of 2 cents per pound will also be levied on all refined sugar imported into or refined in Canada. In announcing this tax, however, I call attention to the fact that the government has refrained from imposing any special excise tax on tea, coffee or other similar commodity of general consumption.

It is also proposed to levy an excise tax of 25 cents per gallon on unfermented wort and an excise tax of 50 cents per pound on malt syrup or malt syrup powder, extracts of malt, fluid or not, or any other malt product intended for the brewing of beer.

The provisions of the Special War Revenue Act exempting from the stamp tax, cheques, receipts to banks, money orders, travellers' cheques and post office money orders where such instruments are for an amount not exceeding \$5 will be repealed, except in the case of creamery tickets or cheques. The stamp tax on postal notes will be raised from 1 to 3 cents. When matches are put up in books or packages containing less than twenty-one matches, excise tax will be payable at the rate of 3/20ths of one cent per package.

Other amendments to the Special War Revenue Act will include a provision exempting from the note circulation tax the notes of a Canadian chartered bank specially issued to circulate in any British colony or possession other than Canada, to the extent that they are subject to tax by or under the laws of such colony or possession.

Excise Duties

The excise duty on distilled spirits used in the manufacture of proprietary medicines, extracts, essences, perfumed spirits, and pharmaceutical preparations will be raised to \$2.50 per proof gallon. An excise duty of \$1 per proof gallon will also be imposed on spirits

distilled from the juices of native fruits for use by registered wine manufacturers in fortifying native wines.

Customs Tariff

In the early stages of this session, in order to implement agreements entered into at the Imperial Economic conference, amendments were effected involving 260 items of our tariff schedules.

Recently, a tariff board was established. In these circumstances, it is deemed undesirable to propose, either in whole or in part, any major revision.

Certain amendments of a minor character, some 57 in number, are submitted. These may be sub-divided as follows:

Clarifications of wording.. . . .	21
Reductions under all tariffs.. . . .	15
Reductions under British preferential tariff.. . . .	3
Reductions under intermediate and general tariffs.. . . .	12
Increases under intermediate and general tariffs.. . . .	5
Increases under British preferential tariff.. . . .	1
	<hr/> 57

The rates in our tariff schedules were made having in mind parity of exchange. Consequently when the pound sterling became depreciated, it was necessary to value it for purposes of special or dumping duty at \$4.40, in order to offset in part the advantage which the British exporter obtained in our markets as a result of the depreciated pound. After careful examination, it is believed that under present conditions this valuation can be lowered with safety. I am therefore pleased to announce that, effective to-morrow, the value of the pound sterling for this purpose will be \$4.25.

The government has given most careful consideration to the problems with which our agricultural and fishing interests are confronted in selling their products in countries with depreciated and fluctuating currencies. As a result it is proposed to establish a fund to be known as the agricultural stabilization fund.

From it there will be paid to exporters to the British market the difference between the price actually received and the pound sterling valued at \$4.60. In other words, to the extent that the pound sterling falls below \$4.60 the difference will be made good from this fund.

This will apply to the following commodities: animals, meats (including bacon and hams), poultry, fresh fish, canned fish, tobacco,

cheese, milk products, canned fruits, canned vegetables, maple products, eggs and honey.

The direct result of this policy will mean increased returns to producers, and it is believed that the indirect returns will be even greater. To-day the exporter has to insure himself against losses arising from fluctuations in currency, and this insurance can only be secured at the expense of the producer through the payment to him of the lowest possible price. With an assured fixed and certain cash return the exporter can afford to pay the producer the full value of his product. There remains the additional advantage that as exports are stimulated there would follow improved prices in the home market. Appropriate measures will be taken to give effect to this policy.

It is fully recognized that the additional measures of taxation will involve further sacrifices and the assumption of further burdens by individuals, commerce and industry. Four years of stress and strain resulting from a world depression of unparalleled magnitude cannot but make these burdens more difficult to bear. Nevertheless, it is of paramount importance that as to current expenditures at least we should live within our income. We cannot do less and preserve our national credit. Should that be impaired it would be found that the ultimate sacrifice involved in the effort to restore it would be many times greater.

It has been urged in many quarters that we should balance our budget to the extent of providing currently for the additional expenditures we must make to provide for deficits of the Canadian National Railways and for unemployment relief. Beyond question this would be the ideal course. But to attempt to pursue it under existing conditions would—in my judgment—not only place an unbearable burden upon the taxpayer of to-day, but would as well retard that recovery of business and industry which is essential to our future well-being.

With a slight improvement in business our present taxation will produce an expanding revenue sufficient to provide a margin beyond our current needs. Furthermore as conditions improve the drain upon the treasury for the national railways and unemployment relief will, at the same time, automatically diminish. With expanding revenue upon the one hand and lessening demands upon the other, we can approach gradually and in orderly manner that goal which we must determine to attain at the earliest possible moment, namely, to pay our way year by year, and contemplate a reduction rather than an increase in our national debt.

Meantime it is not unreasonable to spread over a period of years the exceptional burden imposed upon us by the unusual severity of existing world conditions.

That conditions throughout the world are grave it would be idle to deny. That we have our own serious problems to solve is beyond question. At the same time we have no occasion to despair for the future, on the contrary I am of the firm belief that we can look forward with complete confidence to better and happier days. We still retain the same rich and varied resources, we are still blessed with those qualities of resourcefulness which are a heritage from our sturdy pioneer forbears. As we have overcome all obstacles which in the past have bestrewn our national path, so will we continue to overcome those which lie ahead.

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

Resolutions to Amend the Customs Tariff

1. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930, (first session), chapter three of the Acts of 1930 (second session), and chapter thirty of the Acts of 1931, be further amended by adding to Section six thereof the following subsection:—

(9) Notwithstanding the provisions of any other law, the Governor in Council may from time to time and as occasion requires order and direct, subject to such exceptions as may be made, what shall be the rate of exchange fixed for any currency in computing the value for duty of goods imported into Canada from any place or country the currency of which is depreciated, and in case a sum in Canadian currency less than the invoice value of the goods in the currency of the place or country of export, computed at the rate of exchange so ordered, be paid for the goods, the actual selling price of the goods to the importer shall be regarded as less than the fair market value of the goods when sold for home consumption, and the provisions of this Section shall apply and special or dumping duty shall apply equal to the difference between the value of the invoice computed at the current rate of exchange or at the average current rate from time to time fixed by order of the Governor in Council, and the value of such invoice, computed at the rate of exchange for duty so ordered as aforesaid, or may be less than such difference as the Governor in Council may from time to time order and direct; and the Governor in Council may order and direct that in all cases of sales or consignments of goods imported into Canada, where the importer owns, controls or is interested in the business of the exporter, or the exporter owns, controls or is interested in the business of the importer, or the importer and exporter operate under a controlling or holding company, notwithstanding the expressed terms of the sale or consignment, the transaction shall be regarded as a sale and the

actual selling price to the purchaser in Canada shall be taken to be the value of the goods in the currency of the place or country of export converted into Canadian currency at the current rate of exchange, or at the average current rate from time to time fixed by order of the Governor in Council, and shall be regarded as less than the fair market value of the goods when sold for home consumption and the provisions of this Section shall apply and special or dumping duty shall be deemed to apply equal to the difference between the value of the invoice computed at the current rate of exchange or at the average current rate from time to time fixed by order of the Governor in Council, and the value of such invoice computed at the rate of exchange for duty so ordered as aforesaid, or may be less than such difference as the Governor in Council may from time to time order and direct.

Any order in council made hereunder may be varied, extended or revoked at any time by the Governor in Council.

This subsection shall be deemed to have had effect from and after the first day of September, 1931.

2. Resolved, That Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928, chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first Session), chapter three of the Acts of 1930 (second Session), chapter thirty of the Acts of 1931, chapter forty-one of the Acts of 1932, and chapter six of the Acts of 1932-33, be further amended by striking thereout tariff items 79, 99c, 101, 123a, 157a, 173, 194, 203a, 203b, 206a, 208, 208e, 208o, 209, 210e, 278, 315, 315a, 316, 327, 353, 366b, 385a, 409j, 409q, 417, 438b, 438d, 445c, 471, 475, 476a, 485, 520c, 568, 571, 682a, 756, 783, and 799, the several enumerations of goods respectively and several rates of duties of customs, if any, set opposite each of said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:—

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Int. Tariff	Gen. Tariff
79	Florist stock, viz.:—Azaleas, rhododendrons, pot-grown lilacs, rose stock and other stock for grafting, seedling carnation stock, araucarias, bulbs, cornus, tubers, rhizomes and dormant roots, n.o.p.....	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
79c	Seedling stock for grafting, viz.:—Plum, pear, peach and other fruit trees.....	Free	Free	Free	Free	15 p.c.	20 p.c.
99c	Raisins and Dried Currants:— (i) Until July 31, 1934.....per pound (ii) Thereafter.....per pound	Free	4 cts. 3 cts.	4 cts. 3 cts.	Free Free	4 cts. 3 cts.	4 cts. 3 cts.
101	When in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.	Free	35 cts.	35 cts.	Free	35 cts.	35 cts.
101b	Oranges, n.o.p.....per cubic foot Oranges, the produce of Palestine (when imported direct from the country of growth and production) during the months of January, February, March and April.....	Free	35 cts.	35 cts.	Free	35 cts.	35 cts.
123a	Crabs, clams or shrimps in sealed containers.....	17½ p.c.	40 p.c.	40 p.c.	17½ p.c.	27½ p.c.	30 p.c.
157a	Amyl alcohol or refined fusel oil, when imported by the Department of National Revenue or by a person licensed by the Minister, to be denatured for use in the manufacture of metal varnishes or lacquers, to be entered at ports prescribed by regulations of the Minister, subject to the Excise Act and to the regulations of the Department of National Revenue.....	Free	Free	Free	Free	25 cts. per gal.	25 cts.
173	Books and Cards, including playing cards, embossed or grooved, for the blind; and books for the instruction of the deaf, dumb or blind; maps and charts for the use of schools for the blind.....	Free	Free	Free	Free	Free	Free
194	Playing cards, in packs or in sheet form, n.o.p.; cards and sheets partly lithographed or printed, for use in the manufacture of such playing cards, per pack or equivalent	Free	Free	Free	Free	Free	Free
203a	Chemical compounds composed of two or more acids or salts soluble in water, adapted for dyeing or tanning..... Provided, that when such chemical compounds, are permitted Free entry into the United Kingdom, by license, under Section (2) of the Dye-Stuffs Act (1920) the rates of duty shall be.....	5 cts.	7 cts.	8 cts.	5 cts. 15 p.c.	7 cts. 22½ p.c.	8 cts. 22½ p.c.
		Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
		Free	Free	Free			

203b	Aniline and coal tar dyes, soluble in water, in bulk or packages of not less than one pound weight.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
	Provided, that when such dyes are permitted to be Free entry into the United Kingdom, by license, under Section (2) of the Dye-Stuffs Act (1920) the rates of duty shall be.....	Free	Free	Free	Free	Free	Free
206a	Bacteriological products, or serum for subcutaneous injection.....	Free	Free	Free	Free	Free	20 p.c.
208	Boric acid and borax in packages of not less than twenty-five pounds weight; hydro-fluosilicic acid; tannic acid; ammonia, sulphate of; cyanide of potassium; cyanide of sodium and cyanogen bromide; antimony salts, viz.: tartar emetic, chloride and lactate (antimony); arsenous oxide; precipitate of copper (crude); verdigris or sub-acetate of copper; sulphur and brimstone, crude or in roll or flour; argols; iodine, crude; bromine; sulphide of arsenic; carbon bisulphide.....	Free	Free	Free	Free	Free	Free
208c	Cresylic acid and compounds of cresylic acid, used in the process of concentrating ores, metals or minerals	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
208d	(i) Cream of Tartar in crystals.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
208e	(ii) Tartaric Acid crystals.....	Free	Free	Free	Free	Free	15 p.c.
209	Xanthates, for use in the process of concentrating ores, metals or minerals	Free	Free	Free	Free	Free	Free
209d	Potash, muriate and sulphate of, crude; salt-petre or nitrate of potash.....	Free	Free	Free	Free	Free	Free
210c	Potash, chlorate of, not further prepared than ground on and after July 31, 1933.....	Free	15 p.c.	20 p.c.	Free	Free	Free
	Nitrate of Soda or cubic nitre when imported for use as a fertilizer, or in the curing or pickling of meats, or when imported by manufacturers of explosives for use exclusively in their own factories in the manufacture of explosives.....	Free	Free	Free	Free	Free	Free
278	Oils, viz.:—Cocoanut, palm and palm kernel, not edible, for manufacturing soap; carbolic or heavy oil.....	Free	Free	Free	Free	Free	20 p.c.
278d	Olive Oil for manufacturing soap or tobacco, or for canning fish.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
315	Carbons or carbon electrodes over three inches in circumference or outside measurement and not exceeding thirty-five inches in circumference or outside measurement; carbons of a class or kind not produced in Canada, when imported for use in the manufacture of dry batteries and dry cells.....	Free	Free	Free	Free	Free	Free
315a	Carbons or carbon electrodes exceeding thirty-five inches in circumference or outside measurement.....	Free	20 p.c.	20 p.c.	Free	20 p.c.	20 p.c.
316	Electric light and arc carbons, pointed or not, and contact carbons, n.o.p..... per pound and	22½ p.c.	32½ p.c.	35 p.c.	22½ p.c.	32½ p.c.	35 p.c.

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				R.P. Tariff	Int. Tariff	Gen. Tariff
327	Spectacles; eyeglasses, and ground or finished spectacle or eyeglass lenses, n.o.p.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
327a	Contact eyeglasses or lenses, designed to be worn in direct contact with the human eye, under the lid.	Free	Free	20 p.c.	27½ p.c.	30 p.c.
333	Aluminum and alloys thereof, crude or semi-fabricated, viz.: Figs, ingots, blocks, notch bars, slabs, billets and blooms; bars, rods and wire; angles, channels, beams, tees and other rolled or drawn sections and shapes; pipes and tubes; plates, sheets and strips, including circles; leaf or foil, less than .005 inch in thickness, plain or embossed, with or without backing; wire and cable, twisted or stranded, reinforced with steel or not; aluminum powder.	30 p.c. Free	30 p.c. Free	Free Free	30 p.c. 30 p.c.	30 p.c. 30 p.c.
353a	Aluminum scrap. Provided, that nothing shall be deemed to be aluminum scrap except waste or refuse aluminum, fit only to be remelted.	Free Free	Free Free	Free Free	Free Free	Free Free
366b	Parts of watch movements, finished or unfinished... Provided, that when imported under the Intermediate or General Tariffs, the duty on plates designed to hold in place four or more wheels or other moving parts shall be not less than, per plate... Sheets, plates, hoop, band or strip, of rust, acid or heat resisting steels, hot or cold rolled, polished or not, valued at not less than five cents per pound...	15 p.c.	15 p.c.	Free (Plates according to component materials)	15 p.c.	15 p.c.
385a	Fanning mills; peaviners; corn husking machines; threshing machine separators, including wind stackers, baggers and self-feeders therefor; complete parts of all the foregoing.	10 cts.	15 cts.	Free 7½ p.c.	20 p.c. 20 p.c.	20 p.c. 20 p.c.
409j	Complete parts for repairs, under regulations prescribed by the Minister:— (i) For the implements or machinery enumerated in tariff items 409c, 409e, 409f, 409g, 409h, 409i, 409p and 439c.	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409q	(ii) For the implements or machinery enumerated in tariff item 409b. (iii) For the implements or machinery enumerated in tariff item 409d.	10 p.c. 7½ p.c. 6 p.c.	10 p.c. 7½ p.c. 6 p.c.	Free Free Free	10 p.c. 7½ p.c. 6 p.c.	10 p.c. 7½ p.c. 6 p.c.

Tariff Item	British Preferential Tariff	Intermediate Tariff	(General Tariff)	Present Rates		
				B.P. Tariff	Int. Tariff	Gen. Tariff
438b	Annular ball bearings and parts thereof, when imported for use in the manufacture of goods enumerated in tariff items 438a, 438b, 438c, 438e and 438f, for use only as original equipment in the manufacture of motor vehicles enumerated in tariff items 438a, 438b, 438c and 438f, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free
440n	Complete parts for repair of engines enumerated in tariff item 440m.....	Free	15 p.c.	10 p.c.	25 p.c.	27½ p.c.
445c	(i) Electric telegraph apparatus and complete parts thereof.....	Free	30 p.c.	Free	25 p.c.	30 p.c.
	(ii) Electric telephone apparatus and complete parts thereof.....	Free	30 p.c.	Free	25 p.c.	30 p.c.
445j	Electric dry shaving machines, of a class or kind not made in Canada, for use in removing human hair.....	Free	10 p.c.	15 p.c.	27½ p.c.	35 p.c.
464b	Steel die-blocks, of a class or kind not made in Canada, not less than forty-four degrees of hardness by scleroscopic test.....	Free	Free	15 p.c.	27½ p.c.	35 p.c.
471	Belt pulleys of all kinds, n.o.p., for power transmission.....	15 p.c.	27½ p.c.	15 p.c.	25 p.c.	27½ p.c.
471a	Pressed steel belt pulleys, for power transmission.....	Free	27½ p.c.	15 p.c.	25 p.c.	27½ p.c.
475	Stereotypes, electrotypes and celluloids of books, and bases and matrices and copper shells for the same, whether composed wholly or in part of metal or celluloid; positive and negative films of books.....	Free	Free	Free	Free	Free
476a	Glassware and other scientific apparatus for laboratory work in public hospitals; surgical operating tables and complete parts thereof; apparatus for sterilizing purposes, including bedpan washers and sterilizers but not including washing or laundry machines; all for the use of any public hospital, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free
485	Metal caps, for use in the manufacture of electric batteries.....	Free	Free	Free	Free	Free
486	Artificial Larynx, for use in restoring speech.....	Free	Free	Free	Free	Free
520c	Linters of short fibres of cotton, bleached, and cotton pulp, when imported by manufacturers of paper, for use exclusively in their own factories in the manufacture of blotting or other grade of paper....	Free	12½ p.c.	Free	22½ p.c.	25 p.c.
				7½ p.c.	10 p.c.	12½ p.c.

522b	Yarns, wholly of cotton, coarser than number forty but exceeding number twenty, not more advanced than singles, when imported by manufacturers for use exclusively in their own factories in the manufacturing of cotton sewing thread and crochet, knitting, darning and embroidery cottons	7½ p.c.	15 p.c.	20 p.c.	12½ p.c. and..... 2 cts.	15 p.c. 3½ cts.	22½ p.c. per pound 4 cts.
523d	Woven fabric, wholly of cotton, imported for use as billiard cloth	Free	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	22½ p.c. 2 cts.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.
525	Woven fabric, wholly of cotton, specially treated and glazed, when imported by rubber manufacturers for use in their own factories, exclusively as a detachable protective covering for uncured rubber sheeting	Free	30 p.c.	35 p.c.	25 p.c. and..... 2 cts.	30 p.c. 3½ cts.	35 p.c. per pound 4 cts.
548	Knitted garments, knitted underwear and knitted goods, n.o.p.	25 p.c.	35 p.c. 25 cts.	45 p.c. 30 cts.	25 p.c.	25 p.c.	45 p.c.
571	Carpeting, rugs, mats and matting of straw, hemp, flax tow, jute or paper; carpet lining and stair pads.	15 p.c.	22½ p.c.	25 p.c.	15 p.c. 30 p.c. and..... 5 cts.	22½ p.c. 35 p.c. .....per square foot 15 cts.	25 p.c. 40 p.c. 20 cts.
682a	Net floats of aluminum, glass or cork, of a class or kind not made in Canada, for use only in deep-sea or lake fishing, not to include floats for sportmen's use	Free	Free	Free	Free	Free 17½ p.c.	Free 20 p.c.
756	Artificial abrasive grains, crushed or ground, when imported for use in Canadian manufactures	Free	Free	Free	Free	Free	Free
753	Gasoline and steam engines, transmission assemblies and parts thereof, magnetos, starting motors, electric generators, propeller shafts, steel chassis frames, brakes, clutches, brake and clutch controls, steel road wheels, steel rims for pneumatic tires, larger than thirty inches by five inches, steering gears and front and rear axles, all of a class or kind not made in Canada, when imported by manufacturers of motor trucks with standard equipment (not for use on railways or tramways), not to include machines or other articles mounted thereon or attached thereto for purposes other than for loading or unloading the truck, for use only in the manufacture of such motor trucks	Free	17½ p.c.	20 p.c.	Free	17½ p.c.	20 p.c.

3. Resolved, That Schedule B to the Customs Tariff, being Chapter forty-four of the Revised Statutes of Canada, 1927, be amended by in-

serting therein the following Item, enumeration and rates of drawback of customs duties:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (Not including special Duty or Dumping Duty) Payable as Drawback
1063	Materials, including all parts.....	When used in the manufacture of engines for use exclusively in the equipment of aircraft.....	60 p.c.

4. Resolved, That Schedule C to the Customs Tariff, being Chapter forty-four of the Revised Statutes of Canada, 1927, be amended by delet-

ing therefrom Item 1215 and by inserting in said Schedule C the following Items:—

1215 Used or second hand automobiles and motor vehicles of all kinds, manufactured prior to the calendar year in which importation into Canada is sought to be made.

Provided, that this Item does not affect in any manner automobiles and motor vehicles,—

- (a) Imported under Tariff Items 702, 705a, 706, 707 or 708, or under tourists' or travellers' vehicle permits;
- (b) Imported by a *bona fide* settler on a first arrival but not entitled to entry free of duty under Tariff Item 705a;
- (c) *Bona fide* purchased on or before the first day of June, one thousand nine hundred and thirty-one, by consumers for their own use and not for resale;
- (d) Forfeited or confiscated for any offence under the Customs laws, or the laws of any province of Canada;
- (e) Left by bequest.

1216 Used or second-hand aeroplanes and aircraft of all kinds.

Provided, that this Item does not affect in any manner aeroplanes and aircraft,—

- (a) Imported under tariff Items 707 or 708, or engaged solely in international traffic, or brought in by non-resident tourists for temporary use under permit issued by the Department of National Revenue;
- (b) *Bona fide* purchased on or before the twenty-second day of March, one thousand nine hundred and thirty-three, by consumers for their own use and not for resale;
- (c) Forfeited or confiscated for any offence under the Customs laws, the Air Regulations or the laws of any province of Canada;
- (d) Imported by the Department of National Defence for military purposes.

5. Resolved, That any enactment founded upon Resolutions 2, 3 and 4 of the foregoing Resolutions to amend the Customs Tariff or Schedules thereto, shall be deemed to have come into force on the twenty-second day of March, one thousand nine hundred and thirty-three, and to have applied to all goods mentioned in the foregoing Resolutions imported or taken out of warehouse on and after that date, and to have applied to goods previously imported for consumption for which no entry for consumption was made before that date.

EXCISE ACT—GOVERNMENT NOTICE OF MOTION

The Minister of Finance—On next—
in committee of ways and means
the following resolution:

Resolved, That it is expedient to introduce a measure to amend the Excise Act, chapter sixty of the Revised Statutes of Canada, 1927, and to provide:—

1. (i) That section one hundred and forty-nine of the said Act, as amended by chapter eight of the Statutes of 1932, be amended by providing that the rate of excise duties set out by the second paragraphs (a), (b) and (c) of the said section be fixed at two dollars and fifty cents per gallon of the strength of proof on spirits used in the manufacture of patent and proprietary medicines, extracts, essences,

perfumed spirits, and pharmaceutical preparations manufactured in bond, instead of \$2.40, \$2.42 or \$2.43 as set out in the said paragraphs:

(ii) That said section one hundred and forty-nine be further amended by adding thereto the following subsection as subsection two thereof:

“(2) There shall be imposed, levied and collected on all spirits distilled from the juices of native fruits for use exclusively by registered wine manufacturers under prescribed regulations, a special excise duty as follows:

On every gallon of the strength of proof by Sykes' hydrometer, one dollar and so in proportion for any greater or less strength than the strength of proof and for any less quantity than a gallon, and the said duty shall be payable by the registered wine manufacturer at the time such spirits are taken out of warehouse.”

2. That subsection two of section one hundred and fifty of the said Act be amended by repealing paragraphs (a), (b) and (c) thereof and substituting therefor the following:

“On every gallon of the strength of proof by Sykes' hydrometer, two dollars and fifty cents, and so in proportion for any greater or less strength than the strength of proof and for any less quantity than one gallon.”
thereby increasing to a flat rate of two dollars and fifty cents the duties already imposed at

\$2.40, \$2.42 and \$2.43 as the case may be on spirits used by licensed druggists in the manufacture or preparation of medicines, etc.

3. That any enactment founded on the foregoing paragraphs of this Resolution shall be deemed to have come into effect on the twenty-second day of March, one thousand nine hundred and thirty-three, and to have applied to all goods taken out of warehouse for consumption on and after that date.

SPECIAL WAR REVENUE ACT—GOVERNMENT NOTICE OF MOTION

The Minister of Finance—On
in committee of ways and means
the following resolution:

Resolved, That it is expedient to amend The Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927, as amended by chapter fifty of the Statutes of 1928, chapter fifty-seven of the Statutes of 1929, chapter forty-three of the Statutes of 1930, chapter fifty-four of the Statutes of 1931 and chapter fifty-four of the Statutes of 1932, and to provide:

1. That section four of the said Act be amended to provide that notes of a bank in circulation in any British colony or possession other than Canada, under the authority of section sixty-two of the Bank Act and in respect of which taxation is levied and payable by or under the laws of such colony or possession, shall be exempt from the taxation required to be made under sections three and four of the said Act, provided that if the tax imposed by or under such laws is less than the tax imposed under section three of the said Act the amount of such exemption shall not exceed the amount required to be paid by or under the laws of such colony or possession in respect of such notes.

2. That the provisions exempting from the stamp tax cheques, receipts to banks, money orders, travellers' cheques and post office money orders, where such instruments are for an amount not exceeding \$5 be repealed, except in the case of cheques issued by butter or cheese factories to producers of milk or cream.

3. That section seventy of the said Act, as enacted by chapter fifty-four of the Statutes of 1931, be amended by providing that the stamp tax on postal notes shall be at the rate of three cents.

4. That section fifty-eight of the said Act, as enacted by chapter forty-three of the Statutes of 1930, be amended by adding thereto and making liable to the excise tax on sale, transfer or assignment of stocks, bonds, etc., the following:

"Any participating interest in the operations or profits of any association, company, or corporation, represented by certificates, documents, or other instruments of title capable of being sold, transferred or assigned, including mineral deeds, oil royalties, and fixed investment trust shares issued by a trustee and representing equitable ownership in deposited securities."

5. That section seventy-six of the said act be amended by providing that when matches are put up in packages containing less than twenty-one matches each the tax shall be payable at the rate of three-twentieths of one cent per package instead of at the rate of three-sixteenths of one cent.

6. That part X of the said act be amended by adding thereto the following as section 77 (a):

"77 (a). Except as hereinafter provided, every manufacturer and every importer of cigarette papers in packets shall affix to every packet of cigarette papers manufactured by him or imported into Canada, an adhesive or other stamp of the value of 2 cents for each 100 leaves or fraction of 100 leaves contained in such packet.

2. Except as hereinafter provided, every manufacturer and every importer of cigarette paper tubes shall affix to every package of cigarette paper tubes manufactured by him or imported by him into Canada, an adhesive or other stamp of the value of 5 cents for each 50 cigarette paper tubes or fraction of 50 cigarette paper tubes contained in such package.

3. No manufacturer or importer shall sell or import cigarette papers or cigarette paper tubes unless they are in packets or packages.

4. It shall not be necessary to affix an adhesive or other stamp to packets of cigarette papers or packages of cigarette paper tubes manufactured in Canada for export out of Canada when they are manufactured and exported under regulations made under the provisions of this act.

5. When cigarette papers in packets or cigarette paper tubes in packages are imported into Canada, the adhesive or other stamp shall be affixed to the packets or packages while they are in the custody of the proper customs officers.

6. The provisions of this section shall not apply to cigarette papers or cigarette paper tubes sold to, or manufactured by, or imported by, a manufacturer licensed to manufacture cigarettes, who employs such cigarette papers or cigarette paper tubes in the manufacture of cigarettes subject to the provisions of the Excise Act."

7. That subsection two of section eighty-six of the said act be amended by adding thereto the following proviso:

"Provided that if a licensed wholesaler sells goods to another licensed wholesaler at a price less than the value upon which the tax is to be computed under paragraph (c) of the last preceding subsection, the vendor shall forthwith become liable to pay the tax upon the difference between such value and his sale price."

8. That schedule I to the said act be amended by adding thereto the following articles and imposing thereon an excise tax at the rate set opposite the respective article:

(i) Articles, materials or preparations of whatever composition or in whatever form, commonly or commercially known as toilet articles, preparations or cosmetics which are intended for use or application for toilet purposes, or for use in connection with the care of the human body, including the hair, nails, eyes, teeth or any other part or parts thereof, whether for cleansing, deodorizing, beautifying, preserving or restoring, and to include toilet soaps, antiseptics, bleaches, depilatories, perfumes, scents and similar preparations, 10 per cent.

(ii) Tires of rubber, including inner tubes, for automotive vehicles of all kinds, including trailers or other wheeled attachments used in connection with any of the said vehicles, 5 per cent.

9. That schedule II to the said act be amended by adding thereto the following articles and imposing thereon an excise tax at the rate set opposite the respective article:

(i) Sugar, as enumerated in customs tariff item No. 134, 2 cents per pound.

(ii) Unfermented wort (sweet wort), 25 cents per gallon.

(iii) Malt syrup, or malt syrup powder, extracts of malt, fluid or not, or any other malt product intended for the brewing of beer, 50 cents per pound.

10. That schedule III to the said act, as enacted by chapter fifty-four of the statutes of 1932, be repealed and the following substituted as schedule III:

Schedule III

Bread, not to include rolls, buns or similar goods, whether sweetened or not; flour, not including self-raising flour; animals living; live poultry; meats and poultry, fresh; meats salted or smoked; milk, including buttermilk; condensed milk, evaporated milk and powdered milk; cream; butter; cheese; lard, when produced in Canada; eggs; vegetables, fruits, grains and seeds in their natural state; shorts; bran and middlings when for use as cattle, hog, poultry or other stock feed; alfalfa meal; oil cake, oil cake meal; grains mixed or crushed for cattle or poultry feed; hay; straw; hops, when produced in Canada; nursery stock; vegetable plants; other farm produce sold by the individual farmer of his own production; bees; honey; sugar; maple syrup; salt, when manufactured or produced in Canada; ice; fish and products thereof; ores of metals of all kinds; fuel other than in liquid form; gold and silver in ingots, blocks, bars, drops, sheets or plates unmanufactured; British and Canadian coin and foreign gold coin; logs and round unmanufactured timber; split fence posts; fence posts, railroad ties, pulpwood, tan bark, and other articles the product of the forest, when produced and sold by the individual settler or farmer; newspapers and quarterly, monthly, bimonthly and semi-monthly magazines and weekly literary papers unbound; materials for use only in the construction, equipment and repair of ships; ships licensed to engage in the Canadian coasting trade; radium; electricity; gas manufactured from coal, calcium carbide or oil for illuminating or heating purposes; artificial limbs, and parts thereof; artificial eyes; donations of clothing and books for charitable purposes; settlers' effects; War Veterans' badges; memorials or monuments erected in memory of soldiers who fell in the Great War; articles for the use of the Governor General; articles imported for the personal or official use of the British High Commissioner, Ministers of Foreign Countries, Consuls General who are natives or citizens of the country they represent and who are not engaged in any other business or profession; bibles, missals, prayer books, psalm and hymn books, religious tracts, and Sunday school lesson pictures; manila fibre for use only in the manufacture of rope not exceeding one and one-half inches in circumference for the fisheries; boats bona fide purchased by individual fishermen for their own personal use in the fisheries; articles and materials used in the manufacture of boats bona fide built for individual fishermen for their own personal use in the fisheries; sinkers and floats including trawl kegs, when for use exclusively in the

fisheries, not including these articles for sportsmen's purposes; fibre for use only in the manufacture of binder twine; fertilizers; dried beet pulp; manuscript; raw furs; wool not further prepared than washed; drain tiles for agricultural purposes; printed text-books authorized by the Department of Education of any province in Canada and phonograph records so authorized for instruction in the English and the French language, and materials used exclusively in the manufacture or production thereof; insulin; calf, cattle, hog, fox or poultry feed; preparations or chemicals sold for disinfecting, dipping or spraying and so used in agriculture or horticulture, and materials for use exclusively in manufacture or production of such preparations; cream separators and parts thereof; cars and other similar appliances for use exclusively at a mine or a quarry for mining or quarrying; articles and materials to be used exclusively in the manufacture of cars and other similar appliances for use exclusively at a mine or a quarry for mining or quarrying; articles and materials to be used exclusively in the manufacture of cream separators and parts thereof; usual coverings to be used exclusively for covering goods not subject to the consumption or sales tax; materials to be used exclusively in the manufacture of usual coverings to be used for covering goods not subject to the consumption or sales tax.

Woolen rolls or wool yarn milled for a producer of wool from such wool supplied by him for his own use; cotton duck and cotton sail twine to be used only in the manufacture of equipment for ships or vessels; official stationery imported by His Majesty's Trade Commissioners in Canada from His Majesty's Stationery Office in England; crushed stone, produced or manufactured by any municipality exclusively for use in building or maintaining its roads or sidewalks, and not for sale, and sand, gravel, rubble and field stone; lasts for boots and shoes including rubber footwear and patterns and dies for boots and shoes including rubber footwear; apples, dried, desiccated or evaporated; articles and materials for the sole use of any bona fide public hospital certified to be such by the Department of National Health, when purchased in good faith for use exclusively by the said hospital and not for resale; preparations for use exclusively as gopher poison; bakers' cake and pies when produced by any one manufacturer or producer to the value of not more than three thousand dollars in any one calendar year.

Goods Enumerated in Customs Tariff Items

40. Salt for use of the sea or gulf fisheries;
173. Books, embossed, and grooved cards for the blind; and books for the instruction of the deaf and dumb and blind; maps and charts for the use of schools for the blind;

175. Books not printed or reprinted in Canada, which are included and used as text-books in the curriculum of any university college or school in Canada; books specially imported for the bona fide use of incorporated mechanics' institutes, public libraries, libraries of universities, colleges and schools, or for the library of any incorporated medical, law, literary, scientific, or art association or society, and being the property of the organized authorities of such library, and not in any case the property of individuals—the whole under regulations prescribed by the Minister—provided that im-

porters of books who have sold the same for the purpose mentioned in this item shall, upon proof of sale and delivery for such purpose, be entitled to a refund of any duty paid thereon;

209b. Nicotine sulphate;

281. Fire brick, containing not less than ninety per cent of silica; magnesite fire brick or chrome fire brick; other fire brick valued at not less than one hundred dollars per one thousand, rectangular shaped, the dimensions of each not to exceed one hundred and twenty-five cubic inches, for use exclusively in the construction or repair of a furnace, kiln or other equipment of a manufacturing establishment;

281a. Fire brick, n.o.p., for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment;

352a. Bells, when imported for use in churches only;

364. Diamond dust or bort and black diamonds, for borers;

406. Coil chain, coil chain links, including repair links, and chain shackles, of iron or steel;

409a. Milking machines and attachments therefor; centrifugal machines for testing butterfat, milk or cream; complete parts of all the foregoing;

409b. Cultivators, harrows, seed-drills, horse-rakes, horse-hoes, scufflers, manure spreaders, garden seeders, weeders, and complete parts of all the foregoing;

409c. Ploughs; farm, field, lawn or garden rollers; soil packers; complete parts of all the foregoing;

409d. Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing machine separators including the motive power incorporated therein, and complete parts of all the foregoing;

409e. (i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears, animal dehorning instruments; and complete parts of all the foregoing;

(ii) Fruit and vegetable grading, washing and wiping machines and complete parts therefor;

409f. Hay loaders, hay tedders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers and grain or hay grinders for farm purposes only, post hole diggers, snaths, stumping machines and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing;

409g. Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing;

409i. Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, n.o.p.; complete parts for goods enumerated in Tariff Item 409i;

409j. Fanning mills; peaviners; corn husking machines; threshing machine separators, including wind stackers; baggers, weighers and self-feeders therefor; complete parts of all the foregoing;

409k. Windmills and complete parts thereof, not including shafting;

409n. Portable engines with boilers, in combination, for farm purposes; horse powers and traction engines for farm purposes n.o.p.; and complete parts of all the foregoing;

410b. Machinery and apparatus for use exclusively in washing or dry cleaning coal at coal mines or coke plants; machinery and apparatus for use exclusively in producing coke and gas; machinery and apparatus for use exclusively in the distillation or recovery of products from coal tar or gas; and complete parts of all the foregoing, not to include motive power, tanks for gas, nor pipes and valves 10½ inches or less in diameter;

411. Machinery for use in sawing lumber, up to but not including the operation of planing, and complete parts thereof, not to include motive power, when for use exclusively in sawmills (for the purpose of this item motive power is defined as equipment for driving the machinery of the sawmill);

411a. Machinery, logging cars, cranes, blocks and tackle, wire rope, but not including wire rope to be used for guy ropes or in braking logs going down grade, and complete parts of all the foregoing, for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump or common or other carrier;

411b. Cylinder stove saws, wheel type stove jointers, crozing and champhering machinery, when for use exclusively in making staves;

439c. Farm wagons, farm sleds, logging wagons, logging sleds, and complete parts thereof;

440k. Engines and complete parts thereof, to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats bona fide owned by individual fishermen for their own use in the fisheries, under regulations prescribed by the Minister;

442. Articles which enter into the cost of manufacture of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, and 439c, when imported by manufacturers for use exclusively in the manufacture in their own factories of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, and 439c, under regulations prescribed by the Minister.

442a. Notwithstanding the provisions of tariff item 442, materials or commodities as hereunder defined or described, when imported by manufacturers for use exclusively in the manufacture, in their own factories, of the goods enumerated in tariff items 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409j, 409o, and 439c, under regulations prescribed by the Minister:—

(1) Pig iron;

(2) Bars or rods, of iron or steel, hot rolled;

460. Materials to be used in Canada for the construction of bridges and tunnels crossing the boundary between the United States and Canada, when similar materials are admitted free under similar circumstances into the United States, under regulations prescribed by the Minister;

464. Steel dies, of a class or kind not made in Canada, valued at not less than one thousand dollars each, for use exclusively in stamping metal sheets or metal plates: Provided that such dies shall be exported from Canada under Customs supervision within three months from the date of import entry;

476. Surgical and dental instruments of any material; surgical needles; X-ray apparatus; surgical operating tables for use in hospitals; microscopes valued at not less than \$50 each by retail; and complete parts of all the foregoing;

476a. Glassware and other scientific apparatus for laboratory work in public hospitals; apparatus for sterilizing purposes, including bed-pau washers and sterilizers but not including washing or laundry machines; all for the use of any public hospital, under regulations prescribed by the Minister;

480. Crutches or specially constructed staffs for cripples;

538. Binder twine or twine for harvest binders;

663b. Articles which enter into the cost of the manufacture of fertilizers, when imported for use exclusively in the manufacture of fertilizers;

666. Nitro-glycerine, giant powder, nitro and other explosives;

667. Blasting and mining powder;

682. Fish hooks, for deep-sea or lake fishing, not smaller in size than number 2.0; bank, cod, pollock and mackerel fish lines; and mackerel herring, salmon, seal, seine, mullet, net and trawl twine in hanks or coil, barked or not—in variety of sizes and threads—including gilling thread in balls, and head ropes for fishing nets; marline, and net morsels of cotton, hemp or flax; and fishing nets or seines, and manila rope, not exceeding one and one-half inches in circumference, when used exclusively for the fisheries, not to include hooks, lines, nets or ropes commonly used for sportsmen's purposes;

692. Coins, cabinets of; collections of medals and collections of postage stamps; medals of gold, silver or copper, and other metallic articles actually bestowed as trophies or prizes and received and accepted as honorary distinctions, and cups or other metallic prizes (not usual merchantable commodities), won in bona fide competitions;

695a. Paintings in oil or water colours, and pastels, valued at not less than twenty dollars each; paintings and sculptures by artists domiciled in Canada but residing temporarily abroad for purposes of study, under regulations by the Minister;

696. Philosophical and scientific apparatus, utensils, instruments, and preparations, including boxes and bottles containing the same; maps, photographic reproductions, casts as models, etchings, lithographic prints or charts; mechanical equipment of a class or kind not made in Canada. All articles in this item, when specially imported in good faith for the use and by the order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any public hospital, college, academy, school, or seminary of learning in Canada, and not for sale, under regulations prescribed by the Minister;

700. Animals and articles brought into Canada temporarily and for a period not exceeding three months, for the purpose of exhibition or of competition for prizes offered by any agricultural or other association; provided a bond shall be first given in accordance with regulations prescribed by the Minister, with the condition that the full duty to which such animals or articles would otherwise be liable shall be paid in case of their sale in Canada, or if not re-exported within the time specified in such bond;

701. Menageries, horses, cattle, carriages and harness of, under regulations prescribed by the Minister;

702. Carriages for travellers, and carriages laden with merchandise, not to include circus troupes or hawkers, under regulations prescribed by the Minister;

703. Travellers' baggage, under regulations prescribed by the Minister;

704. Apparel, wearing and other personal and household effects, not merchandise, of British subjects dying abroad, but domiciled in Canada; books, pictures, family plate or furniture, personal effects and heirlooms left by bequest;

Articles and materials to be used exclusively in the manufacture of goods enumerated in customs tariff items: 281, 281a, 391a, 406a, 406b, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409i, 409j, 409k, 409n, 410b, 411, 411a, 411b, 439c, 440k, 442, 442a, 476, 476a, 480, 538, 663, 663a, 663b, 666, 667, 696.

Materials, not to include plant equipment, consumed in process of manufacture or production, which enter directly into the cost of goods enumerated in customs tariff items: 281, 281a, 391a, 406a, 406b, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409i, 409j, 409k, 409n, 410b, 411, 411a, 411b, 439c, 440k, 442a, 476, 476a, 480, 538, 663, 663a, 666, 667, 696.

11. That Schedule IV to the said Act, as enacted by chapter fifty-four of the Statutes of 1932 enumerating articles exempt for fifty per cent of the sales tax, be repealed and the following substituted as Schedule IV:

Schedule IV

All articles manufactured or produced by the labour of the blind in institutions in Canada established for their care or under the control or direction of such institutions.

12. That Schedule V to the said Act, as enacted by section sixteen and referred to in section twelve of chapter fifty-four of the Statutes of 1932, be repealed and the following substituted as Schedule V:

Schedule V

Articles on which other excise taxes are imposed on importation by Part XI of this Act; raw leaf tobacco when imported by licensed tobacco or cigar manufacturers; material for the manufacture of binder twine for export, when imported by the manufacturers thereof; British and Canadian coin and foreign gold coin, bullion and unmanufactured gold; fish and other products of the fisheries of Newfoundland; fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada, and the products thereof carried from the fisheries in such vessels; donations of clothing for charitable purposes; bibles; fertilizers; animals for the improvement of stock; boards, planks and deals of fir, spruce, pine, hemlock or larch, in the rough, or not further manufactured than planed or dressed on one side, when imported from a country which admits free of duty similar lumber imported from Canada; goods enumerated in customs tariff items 173, 364, 460, 700, 702, 703, 704, 705, 705a, 706, 707, 708 and 709.

13. That any enactment founded on paragraphs five, six, seven, eight, nine, ten, eleven and twelve of this resolution shall be deemed to have come into force on the twenty-second day of March, one thousand nine hundred and thirty-three, and to have applied to all goods

imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

14. That any enactment founded on paragraphs two, three and four of this resolution shall be deemed to have come into force on the first day of May, one thousand nine hundred and thirty-three.

INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:—

✓ 1. That the exemption granted to a married person or a widow or widower with a dependent child be reduced to \$2,000 and the exemption for all other persons be reduced to \$1,000;

✓ 2. That the exemption heretofore afforded to householders as defined shall be abolished;

✓ 3. That the exemption for a dependent child or grandchild be \$400;

✓ 4. That the exemption for a dependent parent, grandparent, brother or sister be the actual amount expended by a taxpayer up to a maximum exemption of \$400 for each such dependent person;

5. That the exemption of \$2,000 heretofore afforded to corporations and joint stock companies be abolished;

6. That the graduated rates of tax applicable to persons other than corporations and joint stock companies shall be the rates set forth in the following schedule;

7. That the rate of tax applicable to corporations shall be twelve and one-half per centum;

8. That where a corporation elects to file a consolidated return, the corporate rate of tax shall be thirteen and one-half per centum;

9. That the additional rate of tax heretofore provided in respect of incomes in excess of \$5,000 shall not apply to corporations;

10. That all bearer coupons, coupon certificates or dividend warrants issued by Canadian debtors in respect of which any interest or dividends are payable and all similar bearer coupons and dividend cheques issued by British or foreign debtors which are cashed by residents of Canada must have attached thereto a duly completed ownership certificate on the form prescribed;

11. That a tax of five per centum shall be imposed at the source on all dividends or interest paid or credited by Canadian debtors to non-residents of Canada;

12. That a tax of five per centum shall be imposed at the source on all dividends or interest payable by Canadian debtors and cashed by Canadian residents at a premium over par of Canadian funds;

13. That rents and royalties which are payable by Canadian debtors to non-residents of Canada shall have deducted at the source a tax of twelve and one-half per centum subject to adjustment on assessment of the Income Tax Return filed by the non-resident.

14. That provision be made to clarify and to render more certain and effective Section 13 of the said Act;

15. That provision be made for the limitation of certain allowances and expenses charged by companies in respect to amounts paid to relatives of shareholders, bonuses to officers and fees to directors;

16. That interest on indebtedness and taxes on productive property shall be rateably apportioned between income from sources exempt and those not exempt from Income Tax, provided that in no case shall such interest or taxes be apportioned against a taxpayer's income from his chief occupation or business;

17. That any enactment founded on paragraphs one to nine, both inclusive, and paragraphs fifteen and sixteen, shall be deemed to have come into force at the commencement of the 1932 taxation period and to be applicable thereto and to fiscal periods ending therein, and to all subsequent periods;

18. That any enactment founded on the provisions of paragraphs ten, eleven and twelve of this Resolution shall be deemed to have come into force on the first day of April, 1933, and shall be applicable to all payments made or received on or after such date and to any coupons, coupon certificates or dividend warrants which are redeemable on or after the said 1st April, 1933;

19. That any enactment founded on the provisions of paragraph thirteen of this Resolution shall be deemed to have come into force on the 22nd day of March, 1933, and shall be applicable to all payments made on and after the said date.

FIRST SCHEDULE

Rates of Tax Applicable to Persons other than Corporations and Joint Stock Companies

On the first \$1,000 of Net Income or any portion thereof in excess of Exemptions 3 per centum, or

\$30 upon Net Income of \$1,000; and upon Net Income in excess of \$1,000 and not in excess of \$2,000, 4 per centum in addition on such excess, or

\$70 upon Net Income of \$2,000; and upon Net Income in excess of \$2,000 and not in excess of \$3,000, 5 per centum in addition on such excess, or

\$120 upon Net Income of \$3,000; and upon Net Income in excess of \$3,000 and not in excess of \$4,000, 6 per centum in addition on such excess, or

\$180 upon Net Income of \$4,000; and upon Net Income in excess of \$4,000 and not in excess of \$5,000, 7 per centum in addition on such excess, or

\$250 upon Net Income of \$5,000; and upon Net Income in excess of \$5,000 and not in excess of \$6,000, 8 per centum in addition on such excess, or

\$330 upon Net Income of \$6,000; and upon Net Income in excess of \$6,000 and not in excess of \$7,000, 9 per centum in addition on such excess, or

\$420 upon Net Income of \$7,000; and upon Net Income in excess of \$7,000 and not in excess of \$8,000, 10 per centum in addition on such excess, or

\$520 upon Net Income of \$8,000; and upon Net Income in excess of \$8,000 and not in excess of \$9,000, 11 per centum in addition on such excess, or

\$630 upon Net Income of \$9,000; and upon Net Income in excess of \$9,000 and not in excess of \$10,000, 12 per centum in addition on such excess, or

\$750 upon Net Income of \$10,000; and upon Net Income in excess of \$10,000 and not in excess of \$11,000, 13 per centum in addition on such excess, or

\$880 upon Net Income of \$11,000; and upon Net Income in excess of \$11,000 and not in excess of \$12,000, 14 per centum in addition on such excess, or

\$1,020 upon Net Income of \$12,000; and upon Net Income in excess of \$12,000 and not in excess of \$13,000, 15 per centum in addition on such excess, or

\$1,170 upon Net Income of \$13,000; and upon Net Income in excess of \$13,000 and not in excess of \$14,000, 16 per centum in addition on such excess, or

\$1,330 upon Net Income of \$14,000; and upon Net Income in excess of \$14,000 and not in excess of \$15,000, 17 per centum in addition on such excess, or

\$1,500 upon Net Income of \$15,000; and upon Net Income in excess of \$15,000 and not in excess of \$16,000, 18 per centum in addition on such excess, or

\$1,680 upon Net Income of \$16,000; and upon Net Income in excess of \$16,000 and not in excess of \$17,000, 19 per centum in addition on such excess, or

\$1,870 upon Net Income of \$17,000; and upon Net Income in excess of \$17,000 and not in excess of \$18,000, 20 per centum in addition on such excess, or

\$2,070 upon Net Income of \$18,000; and upon Net Income in excess of \$18,000 and not in excess of \$19,000, 21 per centum in addition on such excess, or

\$2,280 upon Net Income of \$19,000; and upon Net Income in excess of \$19,000 and not in excess of \$20,000, 22 per centum in addition on such excess, or

\$2,500 upon Net Income of \$20,000; and upon Net Income in excess of \$20,000 and not in excess of \$25,000, 23 per centum in addition on such excess, or

\$3,650 upon Net Income of \$25,000; and upon Net Income in excess of \$25,000 and not in excess of \$30,000, 24 per centum in addition on such excess, or

\$4,850 upon Net Income of \$30,000; and upon Net Income in excess of \$30,000 and not in excess of \$35,000, 25 per centum in addition on such excess, or

\$6,100 upon Net Income of \$35,000; and upon Net Income in excess of \$35,000 and not in excess of \$40,000, 26 per centum in addition on such excess, or

\$7,400 upon Net Income of \$40,000; and upon Net Income in excess of \$40,000 and not in excess of \$45,000, 27 per centum in addition on such excess, or

\$8,750 upon Net Income of \$45,000; and upon Net Income in excess of \$45,000 and not in excess of \$50,000, 28 per centum in addition on such excess, or

\$10,150 upon Net Income of \$50,000; and upon Net Income in excess of \$50,000 and not in excess of \$55,000, 29 per centum in addition on such excess, or

\$11,600 upon Net Income of \$55,000; and upon Net Income in excess of \$55,000 and not in excess of \$60,000, 30 per centum in addition on such excess, or

\$13,100 upon Net Income of \$60,000; and upon Net Income in excess of \$60,000 and not in excess of \$65,000, 31 per centum in addition on such excess, or

\$14,650 upon Net Income of \$65,000; and upon Net Income in excess of \$65,000 and not in excess of \$70,000, 32 per centum in addition on such excess, or

\$16,250 upon Net Income of \$70,000; and upon Net Income in excess of \$70,000 and not in excess of \$75,000, 33 per centum in addition on such excess, or

\$17,900 upon Net Income of \$75,000; and upon Net Income in excess of \$75,000 and not in excess of \$80,000, 34 per centum in addition on such excess, or

\$19,600 upon Net Income of \$80,000; and upon Net Income in excess of \$80,000 and not in excess of \$85,000, 35 per centum in addition on such excess, or

\$21,350 upon Net Income of \$85,000; and upon Net Income in excess of \$85,000 and not in excess of \$90,000, 36 per centum in addition on such excess, or

\$23,150 upon Net Income of \$90,000; and upon Net Income in excess of \$90,000 and not in excess of \$95,000, 37 per centum in addition on such excess, or

\$25,000 upon Net Income of \$95,000; and upon Net Income in excess of \$95,000 and not in excess of \$100,000, 38 per centum in addition on such excess, or

\$26,900 upon Net Income of \$100,000; and upon Net Income in excess of \$100,000 and not in excess of \$110,000, 39 per centum in addition to such excess, or

\$30,800 upon Net Income of \$110,000; and upon Net Income in excess of \$110,000 and not in excess of \$120,000, 40 per centum in addition

\$34,800 upon Net Income of \$120,000; and upon Net Income in excess of \$120,000 and not in excess of \$130,000, 41 per centum in addition

\$38,900 upon Net Income of \$130,000; and upon Net Income in excess of \$130,000 and not in excess of \$140,000, 42 per centum in addition

\$43,100 upon Net Income of \$140,000; and upon Net Income in excess of \$140,000 and not in excess of \$150,000, 43 per centum in addition

\$47,400 upon Net Income of \$150,000; and upon Net Income in excess of \$150,000 and not in excess of \$175,000, 44 per centum in addition

\$58,400 upon Net Income of \$175,000; and upon Net Income in excess of \$175,000 and not in excess of \$200,000, 45 per centum in addition

\$69,650 upon Net Income of \$200,000; and upon Net Income in excess of \$200,000 and not in excess of \$225,000 46 per centum in addition

\$81,150 upon Net Income of \$225,000; and upon Net Income in excess of \$225,000 and not in excess of \$250,000 47 per centum in addition

\$92,900 upon Net Income of \$250,000; and upon Net Income in excess of \$250,000 and not in excess of \$500,000, 42 per centum in addition on such excess, or

\$104,900 upon Net Income of \$275,000; and upon Net Income in excess of \$275,000 and not

\$117,150 upon Net Income of \$300,000; and upon Net Income in excess of \$300,000 and not

in excess of \$325,000, 50 per centum in addition on such excess, or

\$129,650 upon Net Income of \$325,000; and upon Net Income in excess of \$325,000 and not in excess of \$350,000, 51 per centum in addition on such excess, or

\$142,400 upon Net Income of \$350,000; and upon Net Income in excess of \$350,000 and not in excess of \$375,000, 52 per centum in addition on such excess, or

\$155,400 upon Net Income of \$375,000; and upon Net Income in excess of \$375,000 and not in excess of \$400,000, 53 per centum in addition on such excess, or

\$168,650 upon Net Income of \$400,000; and upon Net Income in excess of \$400,000 and not in excess of \$450,000, 54 per centum in addition on such excess, or

\$195,650 upon Net Income of \$450,000; and upon Net Income in excess of \$450,000 and not in excess of \$500,000, 55 per centum in addition on such excess, or

\$223,150 upon Net Income of \$500,000; and upon Net Income in excess of \$500,000, 56 per centum in addition on such excess.

On motion of Mr. Ralston, the debate was adjourned.

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CANADA

BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES

MINISTER OF FINANCE

MEMBER FOR RICHMOND-WEST CAPE BRETON, N.S.

IN THE

HOUSE OF COMMONS

APRIL 18, 1934



OTTAWA

J. O. PATENAUDE

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1934

BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, WEDNESDAY, APRIL 18,

1934

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. E. N. RHODES (Minister of Finance)
moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, this year for the first time in the course of this prolonged depression it is possible to review the year's operations in terms of business improvement, reviving confidence and expanding revenues. Three successive budgets have been delivered in the face of a progressive decline in business with the inevitable disappointment in revenues and inability to meet necessary expenditures. Last year I expressed the belief that the turn in this tide had been reached and I ventured the hope that important developments which had occurred or were under way would lead to an early recovery of business activity. What was then a hope can now be asserted with confidence as a fact of experience. The fiscal year which has just closed has been a year of recovery—recovery that is unmistakable and of greater magnitude than many had thought possible.

The evidence of business recovery is written incontrovertibly in the recorded facts of our industry and trade. I desire not to weary you with statistical details but as a thorough appraisal of current business conditions is an essential of sound budgeting and as depression psychology is still rather too prevalent, I propose to review the essential facts as briefly as possible.

The most comprehensive measure of economic activity in Canada is the index of the physical volume of business prepared by the Dominion Bureau of Statistics. It is based on a compilation involving forty-five

economic factors, including production of our leading manufactured articles, mineral products, and electric power, as well as freight cars loaded, construction contracts awarded and the volume of trade. In February, 1933, when business reached its low point in Canada, that index stood at 67.0. In February, 1934, the latest month for which the figures are available, the index had risen to 86.4, an increase of no less than 29.0 per cent. During the same period, manufacturing production increased by 41.7 per cent, mineral production by 13.7 per cent and total industrial production, including construction, by 33 per cent. These figures are of striking significance when compared with similar figures for the United States. According to indices prepared by the Federal Reserve Board, the corresponding increases for that country were 31.1 per cent for manufacturing production, 15.2 per cent for mineral output and 28.6 per cent for total industrial production. Their improvement was considerably more rapid than ours last summer, but their gains were not consistently held; with us, recovery has been more gradual but also more persistent.

Other indices of a general nature tell the same story of business recovery in Canada. The total amount of cheques cashed at chartered banks in thirty-two clearing house centres increased 16 per cent in 1933 over 1932 and another 23.4 per cent in the first two months of the present year over the same period last year. These bank debit figures reflect not only the volume of ordinary business but also increasing activity in financial transactions.

In this power age, increasing sales of electrical energy are also an indication of general business expansion, although the increased use of electrical appliances or processes in home and factory and the increasing sales of secondary power for steam production make

it impossible to regard power output as an accurate measure of such expansion. Since the first of this year, the output of central electric stations has established a new record level for all time. In February the average daily output was $57\frac{1}{2}$ million kilowatt hours, an increase of 24.1 per cent over the corresponding month of 1933, and 19.8 per cent over February, 1929.

The increase in the movement of railway revenue freight is an even more significant symptom of general business improvement because it points to better days ahead for our two great railroad systems. In the first twelve weeks of this year 491,279 cars were loaded, showing an increase of 23.9 per cent over the same period last year. The gain of 95,064 cars in the elapsed period of the present year reflects a heavier movement in ten of the eleven commodity groups of the official classification, grain alone showing a slight decrease as compared with last year. Furthermore, traffic is now practically up to the level of the movement of two years ago.

Again comparing February, 1934, with February a year ago, we find the following striking increases in productive activity in individual industries; pig iron production, 100 per cent; steel production, 369 per cent; newsprint production, 38.9 per cent; imports of raw wool and yarn, 143 per cent (in the textile industry imports of raw material are the best measure available of productive activity); raw cotton imports, 84.2 per cent; exports of boards and planks, 178.6 per cent; nickel exports 57.7 per cent; and construction contracts awarded, 72.8 per cent. During the past three months, contracts awarded, although still at a comparatively low level, were double the figure for the first quarter of last year. This improvement in the construction industry, which has been unduly depressed and which stimulates so many material manufacturing industries, is of special significance.

Expansion in the scale of operations should bring an enlargement of business profits if industry is operating on a sound basis. While the earnings of most business organizations during the past year were affected adversely by the declining trend of the early part of the year, there is convincing confirmation of improvement for the year as a whole in the figures of company profits. A recent compilation of the latest earnings statements of 79 important companies showed that 64 reported net profits aggregating \$61,500,000 after all charges, against \$47,000,000 in the previous year, an increase of over 30 per cent, while the remaining 15 reduced their deficits from \$8,600,000 to \$7,100,000.

Of more importance is the effect of this expansion in private business upon the absorp-

tion of unemployment, the most pressing social problem of the depression years. In the twelve-month period ended on March 1, the index of employment rose from 76.9 to 92.7, an increase of 20.5 per cent. At the beginning of March returns from 8,499 leading employers showed 153,688 more employees on payrolls than were reported at the same date a year ago, and of this total, 114,214 represented increases in industries other than highway construction and maintenance, and, presumably therefore, have not been affected by governmental activity in connection with unemployment relief. On the basis of these returns from a limited group of employers it has been estimated that the total increase in employment in Canada during the year was at least 250,000.

There is one other economic factor upon which I wish to comment at this stage, namely, the movement of commodity prices. The world depression cannot be attributed to any single cause but with a very considerable measure of validity it may be interpreted in terms of the drastic fall in the world level of prices with consequent inevitable disparities in different groups of prices. The result was not only substantial inequalities as between various economic groups but a serious disequilibrium between costs and prices which impeded individual enterprise and threw the whole economic mechanism out of gear. Recovery from the depression may be measured by the progress made in reestablishing a reasonable equilibrium between the various parts of the price structure—a working equilibrium between producers' costs and prices, between prices of primary products and those of finished products, between wholesale and retail prices, and between debtors and creditors, whether they be individuals, corporations or countries. Such restoration of equilibrium may be achieved either by a reduction of costs or by a rise in the general level of prices, or by a combination of both tendencies. During any depression a gradual reduction of costs and a considerable amount of liquidation always takes place, and up to a certain point the working of these normal automatic forces is highly beneficial. But so catastrophic was the fall in prices from 1929 to 1933 and so rigid are certain elements of the price structure (such as interest, taxes, etc.) that reliance solely upon this method of curing our economic ills would have involved such a measure of deflation and liquidation as would possibly have imperilled the stability of our social and economic fabric.

For this reason the government has consistently pursued a policy designed to stimulate a rise in prices by every sound means. As Canada is so heavily interested in export

trade it has been recognized that our most important need was to secure a rise in the world level of commodity prices. Consequently, at the Ottawa conference in 1932, at the World Monetary and Economic conference in London last summer and in the negotiations which followed and which led to the issue of a joint statement on monetary and economic policy by the nations of the British commonwealth, we did our utmost to secure the adoption of common policies designed to promote first a rise in, and later a stabilization of, the world level of commodity prices. For reasons which I need not discuss at this time it proved impossible to secure as great a measure of international cooperation and the employment of as aggressive policies as was thought desirable. Nevertheless, as I shall show later, such action as has been taken has not been without a considerable measure of success. But our efforts have not been limited to the international sphere. I shall have occasion later to refer to the steps we have taken and the success achieved in fostering within Canada a lowering of interest rates and ease in the money markets, which constitute essential conditions favourable to a rise in commodity prices. The inadequate machinery of our Finance Act has been administered as far as practicable with this end in view, and, as you are aware, we are proposing to set up a central bank which is designed to give us an effective mechanism for cooperating effectively with other countries in a program to raise and stabilize price levels, so far as may be possible within the scope of monetary action.

In October, 1931, an order in council was passed prohibiting the export of gold from Canada except under licence. That was the final step severing the chain which bound us to the gold standard currencies, then subject to deflationary tendencies. As you are aware, it was followed by a substantial decline in our foreign exchanges which improved the competitive position of, and the prices received by, our export industries, although at the same time it increased the burden involved in carrying our external obligations. Many have considered it unfortunate that, because of the more rapid depreciation of sterling, our currency, though at a substantial discount in New York, still remained at a premium in London. I had occasion last year to point out that in fluctuating about halfway between the United States dollar and the English pound, our dollar was working out probably the most practicable compromise between those of our national interests which would be benefited by close and stable relations with sterling, and those on the other hand which would be seriously harmed by a

heavy and fluctuating discount in terms of New York. Fortunately, the developments during the past year in connection with these two basic currencies both of which affect our interests so materially have been of a nature extremely favourable to Canada. In February, 1933, sterling in Montreal was quoted at an average discount of 15.9 per cent; in February of this year there was an average premium of 4.3 per cent. In February, 1933, New York funds ruled at an average premium of 19.7 per cent, whereas in February this year this average premium had been reduced to $\frac{7}{10}$ of 1 per cent. During the last few days sterling has been quoted from 5.14 to 5.17 in Montreal and New York funds at a discount of $\frac{1}{2}$ to $\frac{1}{4}$ of 1 per cent. These rates of course mean that our exporters obtain a slight advantage in the British market and Canadian debtors are at no disadvantage in meeting their obligations payable in United States funds.

Much misunderstanding, however, seems to persist in connection with these highly technical matters of money and exchange. For instance, it is sometimes claimed that we should devalue our currency on the same basis as the United States have devalued theirs. This criticism appears to reveal a complete lack of appreciation of the fact that our dollar is currently selling on an approximate parity with that of the United States which has been devalued by slightly over 40 per cent. I have much sympathy with the desire for stabilization which may be latent in this argument, but in my view stabilization of our currency must await the establishment of a stabilized ratio, at least on a de facto basis, between the United States dollar and the English pound. So strongly are our interests tied up with both of these currencies that a policy of tying to one and not to the other would represent a poor second-best and not an ideal policy. I would have to qualify this general statement if either of these currencies should exhibit a deflationary tendency; that would involve a changed situation calling probably for a radically different decision.

In addition to these measures which have been taken to foster a rise in the general price level, I may add that the international wheat agreement which was signed at London is designed to effect by a better adjustment of supply and demand the price of wheat, which is so important a staple in our domestic economy and so important a constituent in the world price level. Our efforts to foster a rise in prices by every sound method will not be relaxed. In particular it is expected that our public works program will contribute to that end by accelerating the

progress of business recovery already happily under way.

Granting that a rise in commodity prices is highly to be desired, the record of the past year has been distinctly favourable. From February, 1933, to February of this year the general index of wholesale prices in Canada rose by 13.4 per cent. This rise has been less rapid than that in the United States but more rapid than that of most other countries. The official index of the United States Bureau of Labour statistics is not yet available for the month of February, but the more rapidly fluctuating index compiled by Dun's shows a rise of 28.1 per cent during the period mentioned. In England wholesale prices have risen by 9.2 per cent according to the figures compiled by the Financial Times of London.

As an indication of the extent to which the maladjustments between various price groups have been corrected in Canada, I may add that while the wholesale price index was rising 13.4 per cent, the index for farm prices rose by no less than 34.9 per cent. Furthermore, the prices of raw and partly manufactured articles showed a rise of 23.8 per cent, as compared with one of 11.4 per cent for fully and chiefly manufactured commodities. It should be noted also that the price of Number 1 Northern wheat at Fort William averaged 43.2 per cent higher in February this year than in February, 1933, while the corresponding increase for cattle (steers, good 1,000 to 1,200 lbs.) was 45.7 per cent, and for bacon hogs at Toronto, 153.8 per cent.

I have referred to the steps which have been taken to promote a lowering of interest rates. Interest is one of the rigid factors in our price structure and the burden of fixed charges caused by the extravagant borrowing of the war and post-war years, aggravated enormously as it has been by the fall in prices, and for public bodies also by the necessarily large expenditures for unemployment relief during the depression, has been too frequently discussed in this house to need elaboration here. For certain individual debtors the burden has become unbearable and the government proposes to bring down at an early stage legislation designed to provide machinery whereby farmers who find themselves unable to pay the fixed charges on their outstanding debts will be able by an expeditious and inexpensive process to work out compromises with their creditors and to obtain new working capital. The guiding principle of this legislation will be to secure for the farmer a simplified debt structure reduced in size to a point where the carrying charges will be within the capacity of the farm enterprise to pay. This will involve some concessions on the part of creditors but these will be more than out-

weighed by the advantages which will follow as a result of retaining the farmer on the land as a willing and effective producer. The release of economic energy so produced and the substitution of hope and goodwill for despondency and discontent which are now prevalent in certain areas should result in a very real gain to our whole domestic economy.

The claim has been made that a somewhat similar procedure should be applied to certain classes of public debt in this country. This question was effectively dealt with in the statement made by the Prime Minister in this house a few weeks ago and is too large and complicated a subject to call for more than a passing reference by me at this time. But as I have outlined our proposals for dealing with farm debts, I wish to make clear why in my opinion the same kind of remedy cannot be applied to the problem of public indebtedness.

In the first place is the fact that so large a proportion of the direct and guaranteed debt of the dominion and the provinces is held by foreign investors. Not only that but, as a result of the method of financing in the post-war years a very large proportion of these foreign and of domestic holdings is in the form of bearer bonds payable at the option of the holder in either two or three markets. It is therefore impracticable, if not indeed entirely impossible, to administer a policy that would seek to differentiate between the Canadian and the foreign investor. Whatever argument may be advanced in favour of a comprehensive policy of scaling down all fixed charges due by Canadian debtors to Canadian creditors—and this would involve, what is too frequently overlooked, a reduction in payments to be made by as well as to Canadian creditor institutions such as insurance companies, mortgage companies, trust companies and banks—I doubt whether there are many Canadians who would be willing to contemplate a program which would involve even a partial repudiation of our external obligations. In addition to our traditional attitude towards the carrying out of our obligations according to the letter of the contract, there is the compelling motive of self-interest. Canada is a young country with a vast store of natural resources that has only begun to be tapped. If we are to convert those potential resources into consumable wealth and thus into a higher standard of living for our people, we will need the fructifying influence of foreign capital for years to come. We have a right to expect that our foreign creditors will not make it difficult or impossible for us to pay our interest and maturing debt obligations but, unless I am seriously mistaken, this country will never take any

deliberate action that would cut off or seriously impede the flow of foreign capital for the development of our resources.

The second consideration I wish to place before you is that great as is the burden of our public debt, it is not beyond the capacity of our people to pay. I am sure you will grant that I am in a position to appreciate to the full how serious the burden is, not only to the dominion government but to some of our provincial governments as well, and I wish here to pay a tribute to the splendid spirit of the Canadian people under the strains and sacrifices of the last five years. That spirit as well as the stability and resiliency of our economic system have been beyond all praise. Also worthy of commendation are the earnest efforts which have been made by practically all public bodies to adjust their finances to the new and trying conditions, despite the criticism of the well-meaning arm-chair critics who find it easy to solve the difficulties of public treasuries by neglecting part of the problem. But the point I wish to make is that, oppressive as our burdens have been, they have actually been borne through the worst of the depression and at a level of taxation which is not abnormal when compared with the tax rates which certain other countries have imposed upon themselves. Furthermore, as I have tried to demonstrate, we are returning to more normal business conditions and price levels with a speed which a year ago few of us would have ventured to predict. With a normal volume of business and a reasonable price level I am convinced that we will be able to meet all our obligations without undue strain.

Under such circumstances the sound and practical policy appears to be to do our utmost to expedite the processes of business recovery and to facilitate those economic trends which will make for a lightening of interest charges. I have already discussed the question of raising the price level which automatically serves to reduce the real burden of debt. A second factor which works both directly and indirectly is the gradual lowering of interest rates. This process we have also been endeavouring to foster by every legitimate means. A year ago I had occasion to refer to the efforts being made to secure a lowering of the interest rate paid on savings deposits by banks, trust companies and other institutions. As you are aware, these efforts led to a one-half per cent reduction in the deposit rate which was followed immediately by a corresponding reduction in the rates charged by banks to public bodies and to agricultural borrowers. It also contributed to strength in our investment markets.

Because the savings deposit rate is the basic element in our whole interest structure, it is to be hoped that our financial institutions can see their way clear to make another similar reduction which I am sure would have an important stimulating influence at this time. The London loan which we floated so successfully last August was intended in part to relieve our own investment market and thus make it possible for other public and private borrowers to secure funds at more favourable rates. The continuance of our domestic conversion program to which I shall refer later and the strenuous efforts which we have made and are making to balance our budget and thereby justify a high credit basis, have also contributed to a lowering of interest rates.

The striking success of these concerted efforts are perhaps not fully appreciated by the Canadian public. It seems to me highly significant that the 4 per cent twelve-year bonds which we offered for public subscription last October at 96½ to yield 4.38 per cent are now selling at approximately 101½ or on a yield basis of 3.77 per cent. It is too much to expect that we are within sight of a 3½ per cent basis for the dominion's medium or long term obligations? And if so, will not the attainment of that objective be a convincing demonstration of the wisdom of the policies which we have followed?

I may also refer to the improvement in the short-term money market. In March last we initiated a new development by offering for public tender \$15,000,000 of short term treasury bills. Those bills were sold on a 2.85 per cent basis for the three months' maturity and a 3.12 per cent basis for the eight months' maturity, the lowest rates at which the dominion has ever borrowed in this country. I may add that yesterday, after this statement was prepared, we concluded acceptances of offerings for treasury bills to the extent of \$15,000,000. Of that amount we borrowed \$1,600,000 of the July 1 maturity at a cost of 2.41 per cent, and \$13,400,000, being the balance, of the October maturity, at the rate of 2.71 per cent. We hope to continue this practice for our short-term requirements and, particularly when the Bank of Canada is established we anticipate marked improvement in the organization and development of our short-term money market and a more efficient utilization of the funds available therein.

The figures I have given refer to rates at which recent borrowing has been effected or at which our outstanding obligations are currently selling. If we take the interest now being paid on all our direct indebtedness at

present outstanding, we find that the average is 4.62 per cent. Eliminating the victory bonds which will mature on November 1 this year and will be converted at I believe a substantially reduced rate during the next few months, eliminating also the 5 and 5½ per cent tax-free issues which will not mature until 1937, and assuming that these war-time issues are replaced by 4 per cent securities (a very modest assumption), this average would be reduced to 4.35 per cent. Even this fairly satisfactory rate will I believe be further reduced during the next few years. That appreciable relief is being obtained through refunding operations is illustrated by the fact that in 1931, before the conversion loan was issued, the average interest paid by the dominion on its outstanding funded debt was practically 5 per cent.

The strength of our investment markets is reflected not only in the rise of bond prices, or which is the same thing, the lowering of interest rates, but also in the volume of new securities purchased by the public. During the last calendar year \$345,000,000 of long-term obligations were absorbed by Canadian investors. Of this total \$157,000,000 represented new capital. This compares with a total of new bond issues in the United States of only \$900,000,000 of which \$595,000,000 were for new capital. During the first quarter of this year our investment market has been active and strong. Over \$73,000,000 of new government and municipal issues were offered during this period, or nearly four times the amount for the corresponding quarter of 1933. These healthy market conditions are full of promise for the gradual reduction of the interest burden now pressing upon public bodies, by the normal process of converting high-interest-bearing securities into new issues with a lower coupon.

The statistical presentation of improved conditions in Canada carries greater reassurance when viewed in the light of world economic conditions. For recovery has not been a development unique with us. It has been world wide and its universal character suggests that it must have a basis more fundamental and probably more permanent than would otherwise be the case. It is now clear that in several countries it began as early as the summer of 1932, in the United Kingdom perhaps even earlier, and that in practically all countries the improvement last year was substantial. Though the rate of progress has varied and in some cases the gains have been more consistently held than in others, the movement is so world-wide and generally so similar as to suggest the automatic working of fundamental economic forces.

Although encouraging progress has been made towards world recovery, it would be a mistake to under-estimate the difficulties that have still to be overcome before a full measure of world prosperity can be restored. Unemployment still persists in all countries in distressingly large proportions. International trade remains at a low level. Little, if any, progress has been made in removing the excessive interferences with trade, the arbitrary quotas, the exchange controls, and the other defensive measures which have been devised to meet the dangers of currency depreciation and unfavourable balances of payments. In recent months there has indeed been increased stability in the foreign exchange markets but the integrity of certain currencies continues to hang upon a slender thread. Another period of currency unsettlement with the threat of competitive depreciation must be recognized as a possibility at least and this suggests the desirability of a renewed consideration of the feasibility of concerted effort for de facto stabilization of currencies by the leading countries. I am aware of the difficulties which surround the problem which the world conference found it impossible to solve last summer. But some of these difficulties have been lessened in the intervening months and the need for early action is emphasized when one realizes that little progress can be made in reducing restrictions on international trade as long as currencies continue to fluctuate and the danger of competitive depreciation persists.

On the debit side of the record for the past year we are also compelled to record certain unfavourable political developments—a serious aggravation of political tensions in Europe and the Far East, an increasingly unstable social equilibrium in some important countries, a succession of disappointments in the disarmament negotiations, and a threatened breakdown of the collective system which has been painstakingly built up during the post-war years. It is true that the tension is less serious to-day than it was at the beginning of the year but it remains a deterrent to constructive international cooperation.

As long as these adverse influences continue to operate they must be taken into the reckoning. The fact remains, however, that the low point in the long depression has been reached and passed, that considerable progress has already been made in this and other countries in the restoration of normal conditions, and that present economic trends are in the direction of further progress. This should give solid ground for confidence, if not for undue optimism.

TRADE OF CANADA

Evidence of improving conditions is also found in the statistics of external trade. The declines that have been a feature of world trade in recent years have now, for Canada, been changed to increases, substantial for exports and not inconsiderable for imports. In the twelve months' period ended March 31, last, exports of Canadian produce increased by \$105,500,000, or 22 per cent over the same period in the previous year. Imports, advancing less rapidly at first but showing greater gains in recent months, increased by \$27,300,000, or 7 per cent. The improvement in aggregate trade was \$132,300,000 over the

same period last year, or 15 per cent, the total exceeding one billion dollars. The improvement has been on an ascending scale since July and in the last three months imports have increased by 40 per cent and exports by 50 per cent over the same period last year. The preliminary figures for the month of March, which will be released in the course of a few days, show total imports of \$47,500,000, an increase of 45 per cent over March of last year. Exports are shown at \$58,300,000, which is a gain of 56 per cent.

A statement of the total trade for the fiscal year ended March 31, with comparative figures, follows:

Trade of Canada
(excluding gold coin and bullion)
(000 omitted)

	Fiscal year ended March 31, 1933	Fiscal year ended March 31, 1934 (preliminary)	Increase
Imports..	\$ 406,384	\$ 433,779	\$ 27,395
Exports—			
Canadian produce..	473,800	579,368	105,568
Foreign produce..	6,914	6,312	602*
Total..	\$ 887,098	\$1,019,459	\$ 132,361

* Decrease.

As exports have advanced, taking the period as a whole, more rapidly than imports, the result is that in the fiscal year ended March 31, the excess of exports over imports amounted to nearly \$152,000,000. In other words, Canada has derived from the exchange of commodities with the world at large, a credit balance of \$152,000,000, available in the settlement of international balances for such debit items as interest on indebtedness owing abroad and instalments of principal. The favourable balance derived from trade in commodities was double the amount in the previous period.

It should be borne in mind that trade figures are for merchandise only and do not include gold. The exports of non-monetary gold, chiefly the current production of Canadian gold mines, amounted approximately to \$90,000,000, based upon the average price obtained upon sale in world markets. This sum is an additional credit in the settlement of international payments.

The following statement shows the balance of trade in merchandise for the past five fiscal years:

Trade of Canada
(excluding gold coin and bullion)
(000 omitted)

Fiscal year ended March 31st	Imports	Exports	Balance
1930..	\$1,248,274	\$1,144,938	(-) \$103,336
1931..	906,613	817,028	(-) 89,585
1932..	578,504	587,566	(+) 9,062
1933..	406,384	480,714	(+) 74,330
1934*..	433,779	585,680	(+) 151,901

* Preliminary.

The beneficial effects of the empire trade agreements are shown in the expansion of intra-empire trade. In the eleven months' period ended February 28th, the latest date

for which figures by countries are available, exports from Canada to the United Kingdom, our largest market, increased by 20 per cent, accounting for more than half of the

increased sales abroad. Exports to Australia increased by 54 per cent; to British India by 45 per cent; to British South Africa by 72 per cent and to New Zealand by six per cent. Statistics of the United Kingdom show that whereas in 1931 imports from Canada represented 3.8 per cent of their total purchases from abroad, in 1933 Canadian products represented 6.9 per cent of the total. Prominent among the commodities showing increased exports to the United Kingdom, were planks and boards, apples, meats, copper and other metals, and cattle.

Imports from the United Kingdom have shown an expansion in the eleven months'

period of approximately \$16,000,000, or 20 per cent. The chief increases were in fibres, textiles and textile products, in iron and its products and coal.

The stimulus which the expansion of trade has brought to Canadian business is illustrated in the renewed activity reported in recent months at our maritime ports. Both freight received from and delivered to connections abroad have shown increases which are very marked and which, in turn, have produced substantial employment at the ports, as well as increased freight for the railways.

Figures showing the expansion of trade within the empire are as follows:

Intra-Empire Trade of Canada
(Excluding gold coin and bullion)

	Eleven months ended February 28, 1933	Eleven months ended February 28, 1934
Imports from United Kingdom.. . . .	\$ 79,356,647	\$ 95,277,635
Exports to United Kingdom.. . . .	170,195,271	204,747,312
Imports from British Empire.. . . .	109,229,815	127,293,776
Exports to British Empire.. . . .	204,773,851	248,667,773

About one-third of our purchases abroad has been from empire countries. The proportion in 1929 was about one-fifth. The percentage of exports to empire countries showed a further gain, while the proportion taken by non-empire countries declined moderately. It

is noteworthy that a somewhat larger proportion of exports was taken by the United States.

A statement showing the distribution of import and export trade, excluding gold coin and bullion, by percentages, follows:

	Imports		Exports	
	Eleven months ended February 28		Eleven months ended February 28	
	1933	1934	1933	1934
	Per cent		Per cent	
United Kingdom.. . . .	21.25	24.67	38.93	39.25
British Empire.. . . .	29.25	32.95	46.83	47.66
United States.. . . .	57.32	54.14	30.37	33.40
Other countries.. . . .	13.43	12.91	22.80	18.94

These developments in our external trade have been distinctly favourable, reflecting the soundness of the policies which have been pursued in connection with the trade agreements, and testifying to the stability and efficiency of Canadian industry.

Revenues 1933-34

The recovery of business in Canada which I have described was reflected in expanding revenues. Unfortunately, however, this expansion did not begin until the second quarter of the fiscal year. While the extreme low point in business activity was reached in February, business continued without noticeable improvement until May. It was not, indeed, until June that the index of physical production in Canada exceeded the figure for the corresponding month of the previous year. There is also always a lag of one or two months between business improvement and

the increase in government revenues. In the case of the sales tax, for instance, the taxes applicable to any given month are not received by the Department of Finance until the first few days of the second following month. As a result, the first quarter of the fiscal year showed a substantial loss as compared with the corresponding period of the previous year. By July 8th our collections were down by \$16,600,000, despite the additional measures of taxation which were introduced in the last budget. The acceleration of business and the upward movement of prices in the latter part of the year reversed this downward trend. By the end of December the lost ground had been fully recovered and the final accounts will show a total revenue from taxation of some \$17,500,000 in excess of the previous year.

The total receipts from taxation were \$271,800,000 as compared with \$254,300,000 in 1932-33. The budget estimates, after giving

effect to the new taxation, anticipated a total tax yield of \$305,000,000. The failure to reach the estimated revenue by some \$33,000,000 has naturally been disappointing, although we can derive encouragement from the fact that there has been a sustained and gradually increasing improvement in recent months. Had it not been for the low level of business in the first quarter and the lag in revenues—in other words, had we had for a full twelve months' period the revenue volume of the latter part of the year—our expectations would have been fully realized.

Customs

Customs import duties yielded \$65,900,000 and remains the largest single source of revenue, although showing a decline from the previous year. Excise duties, levied mainly on liquors and tobaccos, amounted to \$35,800,000. The revenue from income tax

was \$61,400,000, only slightly less than in the preceding year and about the same amount collected in 1931-32. Although based upon lower incomes and profits, the yield from this source has been maintained by reason of the changes in exemptions and rates of taxation, and also as a result of the special tax of 5 per cent on interest and dividends imposed last session. The collections from the latter tax amounted to \$4,800,000 in the fiscal year. Here again the receipts did not reach the estimate, due to the elimination of the premium on United States currency.

The sales tax produced \$63,000,000 and the other special excise taxes, \$43,500,000, these sources combined bringing in \$24,300,000 more than in the previous year.

The following table gives a comparative statement of the revenues from taxation in the past five years:

Taxation Revenues
(000 omitted)

	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Customs Import Duties.....	179,430	131,209	104,133	70,073	65,926
Excise Duties.....	65,036	57,747	48,655	37,834	35,871
War Tax Revenues:					
Banks.....	1,408	1,429	1,390	1,328	1,345
Insurance companies.....	74	74	12	826	742
Delayed business profits.....	173	34	3	—	—
Income Tax.....	69,021	71,048	61,255	62,067	61,399
Sales Tax.....	44,859	20,784	41,734	56,814	63,000
Manufacturers', importation, stamp, transportation taxes, etc.....	18,550	13,951	17,872	25,377	43,574
Total receipts from Taxation.....	378,551	296,276	275,054	254,319	271,857

Non-Tax Revenues

Revenues derived from the services of the various departments of government, including Post Office, amounted to \$51,700,000, showing a decrease from the previous year of about \$550,000. Post Office revenues amounting to \$30,500,000 and interest on investments of over \$11,000,000, are the important items under this head. On reference to the expendi-

ture statement, it will be found that the operation of the Post Office Department cost \$30,800,000, being \$300,000 in excess of revenues. As the deficiency in the previous year was \$700,000, there was a net betterment in the year of about \$400,000. Interest on investments was slightly less than in 1932-33.

A statement of the non-tax revenues, with comparisons for the previous four years, follows:

Non-tax Revenues

	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Canada Grain Act.....	2,047,207	2,179,047	1,484,826	1,444,840	1,260,000
Canada Gazette.....	93,890	71,197	73,590	73,836	56,000
Canals.....	1,043,647	1,026,671	976,845	831,020	850,000
Casual.....	3,892,948	3,210,394	3,757,821	3,192,144	3,550,000
Chinese Revenue.....	14,345	21,996	10,059	8,652	7,000
Dominion Lands.....	4,139,104	1,655,401	485,364	458,934	408,000
Electricity.....	546,957	632,151	402,189	298,352	422,000
Fines and Forfeitures.....	748,343	433,716	233,512	212,075	180,000
Fisheries.....	110,724	73,937	40,519	4,429	40,000
Gas Inspection.....	100,763	94,255	81,359	84,078	74,000
Insurance Inspection.....	138,780	148,942	149,902	160,298	149,000
Interest on Investments.....	13,518,205	10,421,224	9,330,125	11,220,989	11,205,000
Marine.....	184,637	199,000	191,905	178,118	195,000
Mariners' Fund.....	209,322	201,768	184,485	179,461	182,000
Military College.....	19,820	19,882	20,045	20,116	20,000
Military Pension Revenue.....	158,881	159,000	163,229	166,414	164,000
Ordnance Lands.....	30,277	29,384	14,250	16,677	17,000
Patent and Copyright Fees.....	574,918	559,646	525,248	539,341	409,000
Penitentiaries.....	181,024	183,288	166,111	121,426	84,000
Post Office.....	33,345,385	30,212,326	32,234,946	30,928,317	30,553,000
Premium, Discount and Exchange.....	458,390	501,610	.....	145,938	.....
Public Works.....	408,151	362,391	280,591	212,829	237,000
Radio Licences.....	407,762	468,093	528,924	1,414,132	1,290,000
R.C.M.P. Officers' Pensions.....	6,471	6,357	14,787	12,050	12,000
Suppennuation Fund.....	5	.....	.....	.....	.....
Weights and Measures.....	407,248	419,750	406,529	394,222	400,000
Total Non-Tax Revenues....	62,787,204	53,291,426	51,757,161	52,318,688	51,764,000

After taking into consideration \$392,000 of special receipts, the total revenues for the year amounted to \$324,000,000, as compared with

\$311,000,000 in 1932-33, as shown in the following summary statement, which also gives comparisons for each year since 1929-30: .

Summary of all Revenues
(000 omitted)

	1929-30	1930-31	1931-32	1932-33	Esti- mated 1933-34
	\$	\$	\$	\$	\$
Receipts from Taxation.....	378,551	296,276	275,054	254,319	271,857
Non-Tax Revenues.....	62,787	53,291	51,757	52,318	51,764
Consolidated Fund Receipts.....	441,338	349,567	326,811	306,637	323,621
Special Receipts.....	4,771	6,622	7,028	4,493	392
Grand Total.....	446,109	356,189	333,839	311,130	324,013

EXPENDITURES, 1933-34

Ordinary Expenditures

The ordinary expenditures for the year amounted to \$347,700,000. It will be understood that as the accounts will not be finally closed until the end of April, the figures of expenditures are preliminary and may vary somewhat from the final amounts. The estimates for 1933-34, including supplementaries and statutory items not printed in the esti-

mates, provided for a total expenditure on ordinary account of \$363,700,000. The actual expenditures, therefore, are \$16,000,000 less than the amount estimated.

In comparison with the previous year, ordinary expenditures show a reduction of \$2,100,000. This result must be considered, however, in the light of the fact that increased expenditures were necessary on certain fixed and uncontrollable obligations. Interest on public debt increased by \$4,700,000 and

the requirement for Old Age Pensions increased by \$1,000,000. Other large expenditures, over and above those of the previous year, included \$1,000,000 for the Radio Commission and an increase of \$1,500,000 in the

amount of the subventions paid on movements of Canadian coal from the mines to centres of consumption.

A statement of ordinary expenditures for the last five fiscal years, follows:

Statement by Departments of Expenditure for the Last Five Fiscal Years
(000 omitted)

Ordinary Account	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Agriculture.....	10,245	10,119	10,212	8,066	7,025
Auditor General's Office.....	402	416	436	380	376
Civil Service Commission.....	308	343	306	244	221
External Affairs, including Office of the Prime Minister.....	897	928	994	863	977
Finance—					
Interest on Public Debt.....	121,566	121,290	121,151	134,999	139,730
Premium Discount and Exchange (Net).....			728		75
Subsidies to Provinces.....	12,497	17,436	13,695	13,677	13,727
Special Grants to Maritime Provinces.....	1,600	1,600	1,600	1,600	1,600
Other Grants and Contributions.....	837	778	536	499	398
Imperial Economic Conference.....				252	
Civil Pensions and Superannuations.....	1,545	1,476	1,405	1,075	1,302
General Expenditure.....	2,006	1,794	1,845	1,794	3,159
Fisheries.....	2,426	2,435	2,046	1,787	1,593
Governor General's Secretary's Office.....	170	142	148	136	137
Immigration and Colonization.....	3,094	2,588	2,200	1,689	1,393
Indian Affairs.....	5,333	6,069	5,081	4,499	4,372
Insurance.....	159	178	180	161	152
Interior.....	8,490	8,104	4,647	3,454	2,874
Justice.....	2,591	2,538	2,560	2,458	2,452
Penitentiaries.....	2,561	3,237	2,737	2,870	2,748
Labour.....	697	797	633	605	558
Technical Education.....	413	391	283	202	150
Old Age Pensions.....	1,537	5,658	10,032	11,513	12,500
Legislation—					
House of Commons.....	1,610	1,721	1,982	2,210	1,007
Library of Parliament.....	74	76	81	65	69
Senate.....	529	568	650	747	286
General.....	80	65	79	81	44
Chief Electoral Officer, including Elections.....	46	2,256	145	56	31
Marine.....	8,944	8,030	7,262	5,801	5,535
Canadian Radio Broadcasting Commission.....				149	1,025
Mines and Geological Survey.....	1,358	1,420	1,264	1,048	940
Movements of coal and Dominion Fuel Act.....	56	514	721	1,220	2,750
National Defence—					
Militia service.....	11,033	10,953	9,700	8,719	8,843
Naval service.....	3,013	3,598	3,043	2,167	2,222
Air service.....	5,921	7,147	4,040	1,731	1,689
Sundry services.....	1,925	1,928	1,347	1,078	798
National Revenue (including Income Tax).....	13,844	13,972	13,920	10,846	10,336
Pensions and National Health—					
Treatment and after-care of returned soldiers.....	8,494	9,774	11,154	10,066	9,517
Pension, war and military.....	40,032	45,541	48,249	45,079	42,867
Health Division.....	1,390	1,342	1,246	924	783
Post Office.....	36,557	37,892	36,052	31,607	30,801
Privy Council.....	58	54	53	47	49
Public Archives.....	203	212	212	174	158
Public Printing and Stationery.....	302	295	289	231	174
Public Works.....	19,819	25,453	17,648	13,108	11,141
Railways and Canals.....	4,122	4,479	3,997	3,667	3,376
Maritime Freight Rates Act.....	3,093	3,615	2,555	1,921	1,989
Royal Canadian Mounted Police.....	3,100	3,192	3,488	5,626	5,550
Secretary of State.....	454	479	483	418	378
Soldier Settlement Board.....	1,362	1,300	1,036	818	741
Trade and Commerce—					
Department.....	3,252	4,955	6,417	3,277	3,083
Mail subsidies and steamship subventions.....	1,083	1,323	2,999	2,081	2,235
Canada Grain Act.....	2,271	2,356	2,306	2,026	1,766
Total ordinary expenditure.....	353,399	382,827	365,873	349,811	347,702

Capital Expenditures

Capital expenditures, including Hudson Bay railway and terminals, Welland ship canal, St. Lawrence ship channel, and other public works, amounted to \$6,500,000, being a

decrease of \$2,000,000. The estimates provided for an expenditure of \$7,100,000 on capital account. The saving, therefore, was \$600,000.

A comparative statement of capital expenditures for the five-year period, follows:

Capital Expenditures (000 omitted)

—	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Canals.....	9,324	9,842	3,299	3,027	1,987
Railways.....	6,663	6,371	6,242	1,503	767
Public Works.....	6,574	12,009	7,439	4,018	3,816
Total Capital Expenditure.....	22,561	28,222	16,980	8,548	6,570

Special Expenditures

Special expenditures amounted to \$42,900,000, slightly under the figure of a year ago. Included in this amount is \$36,000,000 for relief measures. Of this sum \$28,500,000 was

paid under the Relief Act, 1933, and the balance of \$7,500,000 represented commitments carried over from the relief acts of previous years. The expenditure for 1933-34 may be summarized as follows:

Direct relief.....	\$ 25,870,000
Provincial and municipal works and undertakings.....	2,780,000
Other expenditures, including Dominion projects.....	7,350,000
	\$ 36,000,000

The expenditures made by the dominion on unemployment relief since 1930, have now reached \$115,500,000, to which may be added the cost of the wheat bonus in 1931, amounting to \$12,700,000 and \$2,400,000 advanced for

employment in railway shops, a total of \$130,600,000.

A comparative statement showing special expenditures under the different heads during the past five years, follows:

Special Expenditures (000 omitted)

—	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Adjustment of War Claims.....	95	110	91	55	56
Cost of Loan Flotations.....	17	193	1,350	1,639	2,545
Miscellaneous Charges.....	3,027	2,955	3,500	2,951	2,503
Reparations—					
Claims for Compensation.....	6,700	500	1,331	188	.....
Unemployment Relief, 1930.....		4,432	13,190	548	5
Unemployment Relief, 1931.....			25,106	17,048	564
Unemployment Relief, 1932.....				19,125	6,875
Unemployment Relief, 1933.....					28,556
Wheat Bonus.....			10,908	1,811	.....
Reduction of Loans to Soldier Settlers.....		8,599			1,800
Total Special Expenditures.....	9,839	16,789	55,476	43,365	42,904

Loans to Provinces

Loans were made to the provincial governments under the Relief Act, to a net amount of \$12,540,000 after crediting certain repayments. This addition to the loans of \$38,200,000 outstanding at the close of the previous fiscal year, brings the total assistance of this nature to the provincial governments, to \$50,700,000.

Three provinces, Alberta, Manitoba and British Columbia, received loans in connection with the payment of debt obligations to the public. Alberta borrowed \$1,968,000 to meet a debenture maturity of the 1st April, 1934, payable in Canada or New York. Manitoba secured \$1,470,000 to meet an obligation due the same date, also payable in Canada or New York. British Columbia received loans of \$1,435,000 to meet interest obligations. The other loans related to the financing of the provincial share of relief expenditures or were for the purpose of placing the provinces in funds to assist municipalities to finance their share.

The provinces have paid interest on the loans as payments became due, with the exception of certain loans made to the province of Saskatchewan for relief purposes.

This province has not been able to meet the interest from its own resources and has tendered treasury bills in payment.

At the Dominion-Provincial conference held in January last, which was attended by representatives of all the provinces, it was unanimously agreed that the dominion government should give special financial assistance to provinces where conditions warrant.

In granting these loans, our policy has been, as in the two previous years, to limit this form of assistance to the minimum. Each application has been considered having regard to the special situation prevailing, the particular purpose of the loan and the general budgetary position of the borrower on the ordinary services of government. It is submitted that the policy which has been pursued in this respect has been to the general advantage of Canada, considered in the light of the unusual conditions prevailing and as a temporary measure until more normal conditions prevail.

A summary statement showing the loans to the several provinces outstanding at March 31, 1934, and the purposes for which they were granted, follows:

Loans to Provinces under Relief Acts

Net Outstanding March 31, 1934

(000 omitted)

	Loans covering obligations maturing in New York	Loans for assistance to farmers, including purchase of seed grain	Loans for provincial purposes including public works and direct relief	Total
	\$	\$	\$	\$
Manitoba.....	4,603	304	5,179	10,086
Saskatchewan.....	3,934	4,893	14,728	23,555
Alberta.....	5,111	140	4,800	10,051
British Columbia.....	1,372		5,676	7,048
	15,020	5,337	30,383	50,740

Loans and Advances, Non-Active

Under this head are included amounts paid by way of loan which are treated as non-active and which, being non-interest producing, are considered in the accounts as additions to the net debt. They include the amounts paid in connection with the operation of the Canadian National Steamships, the deficit of the Montreal harbour bridge, and loans to a number of the harbour commissions. The net amount of such loans in the past year was slightly over three million dollars.

For the operation of the Canadian National Steamships, we paid \$986,000, made up of \$968,000 being the cash deficit on the West Indies Services, and \$18,000 being the cash deficit on the operation of the ships remaining in the Merchant Marine fleet. Owing to further reductions in the number of ships operated, the Canadian Government Merchant Marine has found it possible to return to the government an additional one million dollars from the insurance fund which has been accumulated during the operations of the company

since 1919. After receiving this amount, the result is a credit of \$14,000 for the year on account of Canadian National Steamships.

The amount paid by the dominion government for the operation of the Montreal harbour bridge was \$489,000. This represents the loss incurred by the bridge, not including depreciation and after crediting the annual contribution of \$150,000 each from the province of Quebec and city of Montreal.

The non-active loans to the harbour commissions at Chicoutimi, Halifax, Quebec, Saint

John and Three Rivers for expenditures on capital account, amounted to \$1,600,000. Other capital expenditures were incurred by several of the Commissions during the year, special arrangements for financing having been made between the commissions concerned and the contractors, with the approval of the governor in council.

The following statement gives the record of non-active loans and advances for the past five fiscal years:

Loans and Advances, Non-active

(000 omitted)

—	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Loans to Can. National Railways.....	2,933				
Loans to Can. National Steamships.....	2,491	1,827	1,199	(cr.) 1,383	(cr.) 14
Loans to Harbour Commissioners.....	2,821	3,661	1,913	4,898	2,110
Miscellaneous Non-Active Accounts.....	17				
Can. Pacific Railway (Relief Acts).....				1,447	1,000
Accounts carried as Active Assets transferred to Non-Active.....				*62,938	
	8,262	5,488	3,112	67,900	3,096

*Canadian National Railways—Loans of 1931-32.....\$ 41,121
Sundry Harbour Commissions—Advances prior to 1932-33.....21,817

In addition to the non-active loans to harbour commissions, there were loans of \$149,000 to the Montreal commission and \$1,208,000 to the Vancouver commission for port developments, and the amount of \$19,000 to New Westminster. As interest is received on these

loans, they are treated as active assets and are not part of the net debt.

For purposes of record, I include a statement of the advances to harbour commissions in the past five years and of the amounts outstanding at the close of the fiscal year.

Advances to Harbour Commissions

(000 omitted)

—	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Chicoutimi.....	815	846	465	324	332
Halifax.....	1,272	3,539	2,752	1,023	151
Montreal.....	4,336	2,291	1,412	584	449
Montreal—Bridge deficit.....		170	534	395	489
New Westminster.....			189	66	19
Quebec.....	2,821	3,491	1,379	341	107
Saint John.....	1,711	1,094	5,764	2,654	924
Three Rivers.....	136	1,544	747	160	107
Vancouver.....	345	2,802	809		1,208
	11,436	15,777	14,051	5,547	3,786

Advances to Date

	\$	8,000.00
Montreal—Bridge Deficit		2,000.00
New Westminster		2,000.00
		2,000.00
		2,000.00
		2,000.00
		2,000.00
		2,000.00
		2,000.00
		2,000.00
	\$	10,000.00

Canadian Farm Loan Board

The dominion continued to purchase at par the board's five per cent bonds to the extent that loaning operations required. Bonds purchased amounted to \$400,000 and a subscription of \$16,243 was made to capital stock. The capital furnished to date from the dominion treasury for the operations of the board aggregates \$8,503,358, divided as follows:

Initial capital.. . . .	\$5,050,000
Purchase of bonds.. . . .	3,000,000
Purchase of capital stock.. . . .	453,358
	<u>\$8,503,358</u>

The board has paid all interest due the government as it accrued.

Canadian National Railways

As the annual report of the trustees of the Canadian National Railway system has shown, railway operating revenues suffered a further decline of \$12,500,000, or nearly 8 per cent, in the calendar year 1933. The loss in revenues was almost entirely covered by a saving in operating expenses. However, as the management had made its budget for the year on the basis of the gross earnings of the previous year being substantially maintained, the amount required from the dominion government for the payment of deficits exceeded the estimated figure by \$4,300,000. The amount provided by the government and taken into the public accounts as an expenditure in respect of the deficit on the Canadian National Railway system, after payment of interest on obligations in the hands of the public was \$58,950,000, a decrease of \$1,100,000 from the previous year. The net loss of the system as shown by their accounts, amounted to \$97,650,000. The difference between this sum and the contribution of the government above referred to, is made up of \$36,000,000 for interest on loans from the

government—such interest being accrued in the railway accounts but not actually paid—and \$2,600,000 for certain other non-cash items.

The amount paid for deficits is made up of two parts: that for the system, excluding eastern lines, \$52,200,000, and that for the eastern lines, \$6,600,000. In the dominion accounts of previous years and in the budget statements, it has been the practice to include the loss on the eastern lines under ordinary expenditures. That practice has followed naturally from the days when the government's interest in railway operation was limited to the Intercolonial and other lines known as the Canadian government railways. Last year for the first time, following the recommendation of the Royal Commission on Railways and Transportation, the whole railway deficit was taken into the accounts of the dominion as an expenditure, but the portion for the eastern lines was shown under ordinary expenditures and the portion for the rest of the system was shown as a special charge to consolidated fund. For the purpose of clarity in the presentation of the figures, the amount for eastern lines deficit has been excluded this year from ordinary expenditures, and the necessary adjustments have been made in the figures for the previous years in order that the comparisons may not be disturbed. The amount required for railway deficit, including eastern lines, will be found in the summary statement of expenditures under the special category of railway deficits.

There has, of course, been retained under ordinary expenditures the amount involved in the 20 per cent freight rate subsidy authorized by the Maritime Freight Rates Act.

In addition to the provision for deficits the railway company required \$1,900,000 for capital expenditures and \$11,300,000 for retirement of debt, these items totalling \$13,200,000. Against this sum, the company had \$5,000,000

of working capital available, leaving \$8,200,000 to be supplied by the government by way of loan. Notwithstanding that the operating results were less favourable than anticipated at the commencement of the year, the company kept within its budget, the additional amount required for deficits having been made up by a saving in capital expenditures.

As at the end of March, 1934, the debt of the Canadian National Railway system outstanding in the hands of the public amounted to \$1,253,000,000, having been reduced by \$10,000,000 in the past year. Of the amount outstanding, \$962,000,000 are obligations guaranteed by the dominion.

During the first three months of the present calendar year, there has been a decided improvement in railway earnings and the net revenues from operations are some \$4,000,000 in excess of those of the corresponding period

in 1933. The railway budget for 1934 will total \$85,800,000. Of this amount, \$48,800,000 is the estimated requirement for deficits, and if this result is attained it will mean a lessening of the burden on the dominion treasury as compared with last year, of over \$10,000,000. The company will require \$4,200,000 for capital expenditures and \$32,800,000 for retirement of capital obligations, including sinking fund and equipment principal payments. On September 1, \$17,000,000 of Canadian Northern dominion guaranteed 4 per cent debenture stock will fall due.

The following statement summarizes the financial requirements of the Canadian National Railway system in respect of the calendar year 1933, as compared with their budget figures and with the actual requirements in 1932:

Canadian National Railways
FINANCIAL REQUIREMENTS

	Actual 1933	Budget 1933	Actual 1932
Deficit:—	\$	\$	\$
System (ex eastern lines).....	52,263,819	47,941,395	53,422,661
Eastern lines.....	6,691,569	6,611,000	6,635,845
Capital expenditures.....	58,955,388	54,552,395	60,058,506
Debt retirement.....	1,958,116	5,993,121	799,158
	11,269,985	12,265,584	11,510,178
Less working capital available.....	72,183,489	72,811,100	72,367,842
	5,000,000	5,200,100	4,231,997
Amount required.....	67,183,489	67,611,000	68,135,845

Summary of Expenditures

Having dealt with the expenditures for the year under the appropriate headings, it is now possible to present a summary statement of all expenditures for the year, including railway deficits. The total amount is \$459,200,000 as compared with \$468,726,000 in the previous year, a net reduction of \$9,500,000. Actually the statement shows a total expenditure last

year of \$531,700,000, but it will be remembered that \$62,938,000 of this amount represented loans made in previous years to harbour commissions and the Canadian National Railways which were written down from active to non-active assets, and strictly are not assessable against last year's business.

The summary of expenditures for the past five years followed:

Summary of Expenditures
(000 omitted)

	1929-30	1930-31	1931-32	1932-33	Estimated 1933-34
	\$	\$	\$	\$	\$
Ordinary expenditures.....	353,399	382,827	365,873	349,811	347,702
Capital expenditures.....	22,561	28,222	16,980	8,548	6,570
Special expenditures.....	9,839	16,789	55,476	43,365	42,904
Loans and advances—non-active.....	8,262	5,488	3,112	67,900	3,096
Can. Nat. Railway deficit:—					
System ex. eastern lines*				53,423	52,264
Eastern lines.....	4,308	6,712	6,632	8,717	6,692
	398,369	440,038	448,073	531,764	459,228

* Corresponding figures for operations in the years 1929, 1930 and 1931 were \$9,978,000, \$28,125,000 and \$52,250,000 respectively. In respect of these losses, \$2,932,000 was taken into the government accounts as non-active loans in 1929-30, representing the 1929 loss after crediting certain surpluses in previous years. The losses in 1930 and 1931 were financed by loans and/or guarantee of securities. Government loans of \$40,121,000 in respect of 1931 operations appear in the above statement under Loans and Advances, Non-Active, for the year 1932-33.

Deficit for Year

With ordinary expenditures of \$347,700,000 and ordinary revenues amounting to \$323,600,000, it will be seen that the deficiency on ordinary account was \$24,100,000. The comparative figure for the previous fiscal year was \$43,200,000. Notwithstanding the failure of the revenues to reach the anticipated figure, it will be observed that on ordinary account a net improvement of \$19,100,000 took place.

After taking into consideration capital expenditures and special expenditures, including unemployment relief, less special receipts, it will be found that the deficit for the year on government operations, amounted to \$76,300,000. This figure is further enlarged when there are taken into the government accounts the losses on operation of the Canadian National Railway system amounting to \$58,900,000. The resulting increase in net debt during the year on all accounts is \$135,200,000. The corresponding figure for the previous year was \$157,700,000, indicating a betterment of \$22,500,000.

Reductions in Expenditures

In view of the interest in the question of the cost of government generally in Canada, it may be appropriate to present some figures briefly analyzing the purposes to which the outlay of the dominion government is applied, and indicating the extent to which, by the various measures of economy which have been adopted, controllable expenditures have been reduced since 1930-31. For the purpose of these comparisons, the extraordinary and fluctuating amounts required for railway deficits and unemployment relief, are ex-

cluded from the figures, but all other expenditures of the government are included.

In the year which has just closed, such expenditures totalled \$364,000,000. Of this amount, \$230,000,000 was required for purposes classed as uncontrollable and \$134,000,000 for controllable. In other words, out of every \$100 expended \$63 went for expenses designated as uncontrollable and \$37 for services that are ordinarily regarded as controllable. The main services under uncontrollable are interest on public debt amounting to \$139,700,000; war pensions, \$41,700,000 and treatment and after-care of returned soldiers, \$9,500,000. These three items alone account for 83 per cent of the expenditure included under the category of uncontrollable. There are, in addition provincial subsidies, \$15,300,000; old age pensions, \$12,500,000, and some minor items which do not add greatly to the total. All other expenditures whether on ordinary or special account, or capital or non-active loans and advances, are included for the purpose of these computations under the heading of controllable.

I should point out that there are included in the latter classification many items of a statutory nature which are not controllable, in the sense of being subject to reduction at the will of the government but they are included in that category because they pertain to the ordinary services of government. I might cite, for example, dry dock subsidies and the similar payments made in connection with the establishment of cold storage warehouses.

As compared with the year 1930-31, the uncontrollable expenditures for 1933-34 were

greater by \$19,000,000 due mainly to increased charges for interest on public debt and old age pensions.

The controllable expenditures, however, have declined from \$217,000,000 to \$134,000,000, a reduction of \$83,000,000, or over 38 per cent. After allowing for the election expenses of two million dollars in 1930, for which there was no corresponding charge last year, the improvement stands at \$81,000,000. This decrease has been brought about by a curtailment of \$50,000,000 in ordinary expenditures and a reduction in capital and other expenditures of \$31,000,000. To achieve this result, there has necessarily been a rigid scrutiny and control of departmental activities and personnel. From 1930 to 1933, government employees, including fluctuating as well as permanent staffs, were reduced by over 12,000 in number. The saving in salaries and wages exceeds \$10,000,000 a year, not including the saving of some \$7,800,000 arising out of the 10 per cent salary deduction.

There is further comparison which may be illuminating. In the fiscal year 1913-14, the ordinary controllable expenses of government amounted to \$87,000,000, as compared with \$123,000,000 last year. While these figures indicate an increase of \$36,000,000, in a period of twenty years' growth and development of the country, there are important adjustments to be made to bring them to a comparable basis.

Of the increase of \$36,000,000, over \$17,000,000 is applicable to the Post Office department, the services of which have necessarily expanded in twenty years. The increased expenditure has been compensated for by a corresponding addition to the revenues and is not a contributing factor to the deficit of the government. Eliminating post office expenditures, the comparable figures become \$73,000,000 for 1913-14, as compared with \$93,000,000 in 1933-34, an increase of \$20,000,000. In the interval, the population of Canada has increased from 7,600,000 to 10,300,000. The cost of maintaining public services has necessarily been influenced by the growth in population, as well as the addition of new services. Yet the actual expenditures

to-day on the ordinary controllable services of government are less than they were in 1913-14 considered on a per capita basis. The figures are at \$9.60 a head in 1913-14, as compared with \$9.03 last year.

In appraising this result, note should be taken of the cost of new services added in the interval. It now costs \$5,000,000 more annually to collect the public revenues than in 1913-14, due to the amplification of the taxation system. While the percentage cost of collection is lower, the actual expenditure has naturally been increased. The cost of administering the public debt is included under controllable expenditures and requires about \$500,000 more than in 1913-14. Other new items are \$1,000,000 for the Radio Commission, \$320,000 for radio services, \$1,600,000 for the Aviation Branch of the Department of National Defence, \$380,000 for National Research Council and \$2,750,000 for the movement of Canadian-mined coal. These items alone total \$11,000,000. There are other items, such as the cost of operation of the new Welland ship canal, increased expenditures in connection with the grain act, amounting to some \$1,300,000, and other expenses such as those arising from improvements in the status of labour, workmen's compensation and the eight-hour day, which have added, and quite properly so, to the cost of certain services.

Viewed in the light of these comparisons with the expenditures of 1913-14, and not desiring to minimize the necessity for the closest scrutiny of the cost of governmental services, particularly in view of the weight of our fixed charges, it does appear that the controllable expenditures have now been reduced to a point from which it will be difficult to effect further substantial savings without curtailment or discontinuance of services which are considered to be essential.

A comparison of the expenditures in the years 1913-14, 1930-31 and 1933-34, divided under the headings controllable and uncontrollable, is shown in the following statement, which also shows the percentages of the total required for the various services.

Expenditure, Uncontrollable and Controllable
(000 omitted)

	1913-14		1930-31		1933-34	
	Actual expendi- ture	Percent- age of total expendi- ture	Actual expendi- ture	Percent- age of total expendi- ture	Esti- mated expendi- ture	Percent- age of total ex- penditure estimated
	\$		\$		\$	
<i>In General Uncontrollable—</i>						
Interest on public debt.....	12,894	9.36	121,290	28.28	139,730	38.36
European war pensions.....			44,234	10.31	41,777	11.47
Old age pensions.....			5,658	1.33	12,500	3.43
Other pensions and superannuation.....	756	0.55	5,037	1.16	1,561	1.25
Care of returned soldiers.....			9,774	2.28	9,517	2.61
Subsidies to provinces.....	11,280	8.19	19,036	4.44	15,327	4.21
Other items.....	3,101	2.25	6,657	1.56	7,076	1.94
	28,031	20.35	211,686	49.36	230,488	63.27
<i>Controllable—</i>						
<i>Ordinary—</i>						
Agriculture.....	3,271	2.37	10,119	2.36	7,025	1.93
Fisheries.....	1,655	1.20	2,275	0.53	1,433	0.39
Indian Affairs.....	2,120	1.54	5,847	1.36	4,139	1.14
Interior.....	5,132	3.73	8,104	1.89	2,874	0.79
Justice—including penitentiaries.....	2,469	1.79	5,775	1.35	5,200	1.43
Marine—including radio commission.....	4,915	3.57	8,030	1.87	6,560	1.80
Mines—including movements of coal.....	741	0.54	1,934	0.45	3,690	1.01
National Defence.....	12,011	8.72	23,626	5.51	13,552	3.72
National Revenue.....	5,124	3.72	13,972	3.26	10,336	2.84
Post Office.....	13,566	9.85	37,892	8.83	30,801	8.45
Public Works.....	20,288	14.73	25,453	5.94	11,141	3.06
Railways and Canals.....	2,279	1.65	4,043	0.94	3,189	0.88
Royal Canadian Mounted Police.....	1,101	0.80	3,005	0.70	5,367	1.47
Trade and Commerce.....	5,323	3.87	8,407	1.96	6,964	1.91
Other services.....	7,009	5.09	16,723	3.90	11,241	3.09
	87,004	63.17	175,205	40.85	123,512	33.91
<i>Capital—</i>						
Railways.....	7,103	5.16	9,842	2.29	1,987	0.54
Canals.....	2,847	2.07	6,371	1.48	767	0.21
Public Works.....	10,100	7.33	12,009	2.80	3,816	1.03
	20,050	14.56	28,222	6.58	6,570	1.80
<i>Special, including miscellaneous charges...</i>	32	0.02	9,456	2.21	2,063	0.57
<i>Loans and advances non-active.....</i>	2,612	1.90	4,325	1.00	1,639	0.45
Total uncontrollable.....	109,698	79.65	217,208	50.64	133,784	36.73
Total uncontrollable and controllable.....	137,729	100.00	428,894	100.00	364,272	100.00
<i>Not included in the above—</i>						
Canadian National Railways—						
Deficit, exclusive of eastern lines.....			*28,425		52,264	
Inter-provincial deficit.....			6,712		6,692	
Unemployment relief.....			4,432		36,000	
Canadian Government Railways—						
Capital and deficit.....	17,295					
Railway subsidies.....	19,036					

* Not taken into Government accounts in 1930-31.

Loan Flotations

In the past fiscal year, the dominion had securities falling due amounting to \$279,900,000. New issues were made for these maturities, as well as for new money which it was required to raise for governmental and railway purposes.

An issue of 4 per cent registered stock dated September 1, 1933, and maturing September 1, 1958, was made in London. The stock is callable on or after September 1, 1953, on giving three months' notice. The issue was offered to the public at 100, yielding 4 per cent. As the dominion had not been a borrower in the London money market for some eighteen years, the response of the investing public was awaited with keen expectation. The issue was an outstanding success, the applications totalling 20,000, representing over £80,000,000. The success of the offering was a tribute to the financial and economic stability of Canada and reacted most favourably on the market position of dominion securities at home and abroad. The stock has risen to a premium and is now selling on a basis to yield less than 3½ per cent. The terms of the issue provided for a sinking fund of one-half of one per cent per annum.

An issue of 4 per cent treasury notes dated July 1, 1933, was made in New York for the purpose of refinancing a like amount of 4 per cent notes due October 1 and called for payment on August 1. The new issue runs for 15 months from July 1, 1933, and is callable on or after 12 months. The issue was sold to the Chase National Bank of New York at a price of 98·875 and accrued interest.

An issue of \$50,000,000 of 4½ per cent treasury bills held by the chartered banks of Canada matured August 1, 1933, and provision was made for renewal of this obligation by the issue at par of a similar amount of bills to run for one year, bearing interest at 3½ per cent.

Two other issues of treasury bills were made during the year. In May last, \$40,000,000 of 3½ per cent treasury bills due in six months were sold to chartered banks at an interest cost to the government of 3¼ per cent. These bills were converted into longer term securities on their maturity in November.

A further sale of treasury bills was made by public tender. The amount of the issue was \$15,000,000, dated March 1, 1934, and maturing either June 1, 1934, or November 1, 1934. Of the 3-months' bills \$2,450,000 were sold at an average cost to the government of

2·85 per cent and of the 8-months' bills \$12,550,000 at an average cost of 3·12 per cent.

On November 1 last, provision had to be made for \$169,900,000 of maturing victory loan bonds, the balance remaining outstanding of the 1918 issue. To meet the obligation and provide funds for current purposes, a domestic loan of \$225,000,000 was launched. The bonds were dated October 15 and were issued in three maturities: 2-year bonds with interest at 3½ per cent and 6 and 12 year bonds with interest at 4 per cent. The 2-year bonds were offered at 99·50 to yield 3·75 per cent, the 6-year at 99·00 to yield 4·19 per cent, and the 12-year at 96·50 to yield 4·38 per cent. The 12-year bonds were made subject to call, at the option of the government, after 10 years, and the issue price represented the lowest yield basis on which long term dominion securities had ever been offered in the domestic market. By way of inducement to holders of victory loan bonds, a bonus was offered for prompt conversion, and over \$139,000,000 of the maturing victory bonds were turned in for exchange. The banks also converted \$40,000,000 of 3½ per cent treasury bills sold to them in May. The total cash subscriptions amounted to \$76,700,000, of which \$45,700,000 was accepted. It is interesting to note that the small investor participated to a large extent in this offering, as out of a total of 22,663 cash subscriptions there were 16,426 from subscribers for amounts of \$1,000 or less. In addition, there were many small subscribers who turned in their maturing bonds for the new issue.

The amount issued of 2-year bonds was \$89,300,000, of the 6-year maturity \$47,200,000, and of the 12-year maturity \$88,300,000. The average interest cost on all maturities was 4·17 per cent, after including bonus for prompt conversion and commissions paid to banks and dealers. The expenses of issue, including commissions, advertising, printing, etc., were less than one-half of one per cent.

It is a matter of considerable satisfaction that the year's financing has been carried through so successfully at rates of interest that have been progressively favourable. Over \$858,000,000 of war and victory loans bonds have been converted into new securities since 1930 in connection with which there has been a saving in interest in excess of \$9,000,000 a year.

The direct obligations of the dominion in the form of unmatured funded debt and treasury bills are listed in the following statement:

Unmatured Funded Debt and Treasury Bills as of March 31, 1934 and Annual Interest Charges

Date of maturity			Rate, %	Where payable	Amount of Loan	Annual interest charges
					\$	\$
1934—June	1	...	3½	London	23,467,206 27	821,352 22
July	1	...	5	Canada	33,293,470 85	1,664,673 54
Aug.	1	...	3½	Canada	50,000,000 00	1,937,500 00
Oct.	1	...	4	New York	60,000,000 00	2,400,000 00
Nov.	1	...	4	Canada	35,000,000 00	1,400,000 00
Nov.	1	...	5½	Canada	222,216,850 00	12,221,926 75
1937—Aug.	1	...	5	Canada and N.Y.	874,000 00	43,700 00
Oct.	15	...	4	Canada	25,000,000 00	1,000,000 00
Oct.	15	...	3	Canada	89,393,000 00	3,128,755 00
1939—Feb.	1	...	4½	New York	40,000,000 00	1,800,000 00
Nov.	15	...	5	Canada	79,535,200 00	3,976,760 00
1937—Mar.	1	...	5	Canada and N.Y.	89,787,100 00	4,489,355 00
Dec.	1	...	5½	Canada	236,299,800 00	12,996,489 00
1933—July	1	...	3	London	8,071,230 16	242,136 90
July	1	...	3	London	18,250,000 00	547,500 00
July	1	...	3	London	10,950,000 00	328,500 00
July	1	...	3½	London	15,056,006 66	526,960 23
1939—Oct.	15	...	4	Canada	47,269,500 00	1,890,780 00
1940—Sept.	1	...	4½	Canada	75,000,000 00	3,375,000 00
1941—Nov.	15	...	5	Canada	141,663,000 00	7,033,150 00
1943—Oct.	15	...	5	Canada	147,000,100 00	7,350,005 00
1944—Oct.	15	...	4½	Canada	50,000,000 00	2,250,000 00
1945—Oct.	15	...	4	Canada	88,337,500 00	3,533,500 00
1946—Feb.	1	...	4½	Canada	45,000,000 00	2,025,000 00
1947—Oct.	1	...	2½	London	4,888,185 64	122,204 64
1950—July	1	...	3½	London	137,053,841 00	4,797,059 43
1952—May	1	...	5	New York	100,000,000 00	5,000,000 00
Oct.	15	...	4	Canada	56,191,000 00	2,247,640 00
1956—Nov.	1	...	4½	Canada	43,125,700 00	1,940,656 00
1957—Nov.	1	...	4½	Canada	37,523,200 00	1,688,544 00
1958—Sept.	1	...	4	London	73,000,000 00	2,920,000 00
1958—Nov.	1	...	4½	Canada	276,687,600 00	12,450,942 00
1959—Nov.	1	...	4½	Canada	289,693,300 00	15,933,131 50
1959—Oct.	1	...	4	London	93,926,666 66	3,757,066 67
1959—Oct.	1	...	4	New York	100,000,000 00	4,000,000 00
Treasury Bills due June 1, 1934		...		Canada	2,450,000 00	
Treasury Bills due Nov. 1, 1934		...		Canada	12,550,000 00	
					2,858,558,457 24	131,890,287 88

Payable in Canada	\$ 2,083,229,220 85	72.88%
Payable in Canada and New York	90,661,100 00	3.17%
Payable in New York	300,000,000 00	10.49%
Payable in London	384,668,136 39	13.46%

\$ 2,858,558,457 24

100%

Less bonds and stocks of the above loans held as sinking funds..... 69,406,434 43

\$ 2,789,152,022 81

(a) Tax free in Canada.

(b) 5½% to Nov. 1, 1934.

Indirect Liabilities

Bonds outstanding at March 31, 1934, bearing the guarantee of the government of Canada, amounted to \$993,000,000, having been reduced by approximately \$3,000,000, in the year.

During the year some further contingent liabilities were assumed, under the authority of the Relief Act. In June last, 5 per cent treasury bills of the provinces of British Columbia and Manitoba were guaranteed to the

amounts of \$626,533 and \$5,894,127, respectively, in order to enable these provinces to raise monies required for the payment of obligations due in New York. Also in the month of June last, two guarantees were given in connection with the production of 30,000 tons of steel rails by the Algoma Steel Corporation and 50,000 tons of steel rails by the Dominion Steel and Coal Corporation, both orders being for the Canadian National Railways. The guarantee of the dominion is

limited to \$660,000 in the case of the Algoma order and \$1,100,000 in the Dominion Steel and Coal order. The amount of the guarantee represents approximately one-half of the amount involved in the purchase and is related to that portion of the cost represented by wages and materials that had to be bought. The government also undertook to pay interest at 5 per cent on the amount of the guaranteed advances until the rails are delivered.

For the purpose of enabling the Canadian Pacific Railway Company to meet capital obligations and indebtedness, payable partly in Canada and partly in the United States, the dominion guaranteed advances and interest thereon to the amount of \$60,000,000 obtained by the company from Canadian chartered banks. In view of existing conditions, the company found itself unable to make a public issue of securities in the markets in which such financing would ordinarily have been done. The bank loans are secured by \$100,000,000 par value of Canadian Pacific Railway Company 4 per cent perpetual consolidated debenture stock.

Reference has been made in the previous budgets to the assistance given by way of guarantee to western wheat marketing agencies. It may be observed that in connection with the marketing of the 1931 and 1932 crops, the advances which were obtained by the pools in Manitoba, Saskatchewan and Alberta, under guarantee of the dominion, were repaid and no liability was incurred by the government. In 1933, the marketing agencies were able to finance their operations without government assistance. An order in council passed in April last under the Relief Act, 1933, continued the guarantee given to Canadian Cooperative Wheat Producers Limited, in respect of advances obtained for the marketing of the 1930 crop and the purchase of grain contracts made and to be made in order to secure the advantageous sale of wheat under their control. In so far as the latter guarantee is concerned, it will all depend, as stated before, upon the world wheat situation and the course of wheat prices as

to whether there will be any ultimate loss to the dominion treasury as a result of this guarantee. It is fairly generally recognized, however, that the assistance which has been given in this direction has been of material advantage to wheat producers in particular and to the country as a whole, as otherwise the selling pressure at certain periods of the year, without some stabilizing influence in the market, would undoubtedly have resulted in harmful and depressing fluctuations in grain prices.

The guarantee authorized in 1932 in respect of bank advances of \$15,538,500 to the Beauharnois Light, Heat and Power Company, was amended slightly to accord with the reorganization of the capital structure of this company. Recently a public issue was made of a portion of the first mortgage bonds securing the guaranteed bank advances, and as a result the amount of the guaranteed advances outstanding will be reduced by about one-half.

The guarantees given under the relief acts, as at March 31, 1934, amounted to \$93,296,000, apart from those relating to wheat which are not for a stated sum and fluctuate from day to day. The list is as follows:

Guarantees under Relief Acts

	Principal amount of guarantee outstanding March 31, 1934
Province of British Columbia..	\$ 626,533
Province of Manitoba.. . . .	5,894,127
Province of Manitoba Savings Office.. . . .	10,844,853
Algoma Steel Corporation.. . .	660,000
Dominion Steel and Coal Cor- poration.. . . .	540,000
Canadian Pacific Railway Com- pany.. . . .	60,000,000
Beauharnois Light, Heat & Power Company.. . . .	14,105,558
Government of Newfoundland..	625,000
Canadian Co-operative Wheat Producers Ltd..	Unstated

The statement of bond issues guaranteed by the dominion government, outstanding at March 31, 1934, follows:

Bonds Guaranteed by Dominion Government as at March 31, 1934

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	
Sept. 1, 1934.....	Can. Northern.....	4	\$ 17,060,333 33
Feb. 15, 1935.....	Can. Northern.....	4½	17,000,000 00
Sept. 1, 1936.....	Grand Trunk.....	6	24,220,000 00
Oct. 1, 1940.....	Grand Trunk.....	7	23,740,000 00
Dec. 1, 1940.....	Can. Northern.....	7	23,779,000 00
July 1, 1946.....	Can. Northern.....	6½	24,238,000 00
April 1, 1948.....	New Westminster Harbour Comm.....	4½	700,000 00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000 00
Aug. 1, 1952.....	Saint John Harbour Comm.....	5	667,953 04
July 10, 1953.....	Can. Northern.....	3	9,359,996 72
Feb. 1, 1954.....	Can. National.....	5	50,000,000 00
Sept. 15, 1954.....	Can. National.....	4½	26,000,000 00
Mar. 1, 1955.....	Can. National (West Indies) Steamships.....	5	9,400,000 00
June 15, 1955.....	Can. National.....	4¾	50,000,000 00
Feb. 1, 1956.....	Can. National.....	4½	70,000,000 00
July 1, 1957.....	Can. National.....	4½	65,000,000 00
July 20, 1958.....	Can. Northern.....	3½	7,895,557 31
May 4, 1960.....	Can. Northern Alberta.....	3½	3,149,998 66
May 19, 1961.....	Can. Northern Ontario.....	3½	34,229,996 87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000 00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848 00
Dec. 1, 1968.....	Can. National.....	4½	35,000,000 00
July 1, 1969.....	Can. National.....	5	60,000,000 00
Oct. 1, 1969.....	Can. National.....	5	60,000,000 00
Nov. 1, 1969.....	Harbour Comm. of Montreal.....	5	19,000,000 00
Feb. 1, 1970.....	Can. National.....	5	18,000,000 00
By tenders or drawings.....	Can. National.....	2	27,178,703 00
Various dates 1934-54.....	City of St. John Debs. assumed by St. John Harbour Comm'rs.....	Various	1,266,018 80
Serial-Feb. 1 and Aug. 1, 1934-38.....	Can. National Equip. G.....	5	6,750,000 00
Perpetual.....	Grand Trunk Guaranteed Stock.....	4	60,833,333 33
".....	Grand Trunk Debenture Stock.....	5	20,782,491 67
".....	Great Western Debenture Stock.....	5	13,252,322 67
".....	Grand Trunk Debenture Stock.....	4	119,839,014 33
".....	North. Ry. of Canada Deb. Stock.....	4	1,499,979 67
			\$993,276,547 40

Completing the statistical presentation of the assets and liabilities as at March 31, 1934, the affairs of the dominion, a statement of follows:

Liabilities, March 31, 1934 (Estimated)

Dominion notes outstanding.....		\$172,400,000
Bank circulation redemption fund.....		6,486,000
Insurance and superannuation funds—		
Government annuities.....	\$ 34,660,000	
Insurance fund, civil service.....	8,440,000	
Insurance fund, returned soldiers.....	12,313,000	
Retirement fund.....	7,528,000	
Superannuation funds.....	46,335,000	
		109,276,000
Trust funds—		
Indian funds.....	13,631,000	
Common school funds.....	2,675,000	
Contractors' securities deposits.....	118,000	
Other trust funds.....	2,180,000	
		18,604,000
Contingent and special funds.....		3,105,000
Post Office money orders, postal notes, etc., outstanding.....		4,280,000
Province accounts.....		9,623,000
Post Office savings bank deposits.....		23,300,000
Funded debt—		
Unmatured.....	2,789,152,000	
Matured but not presented for payment.....	2,500,000	
		2,791,652,000
Interest coupons matured but not presented for payment.....		1,745,000
		\$3,140,471,000

Assets, March 31, 1934 (Estimated)

Active Assets—		
Cash, working capital advances and other current assets. . .		\$ 14,263,000
Specie reserve.		71,509,000
Advances to banks under Finance Act.		40,144,000
Loans to provinces—		
Housing.	\$ 10,169,000	
Relief Acts.	50,740,000	
		60,909,000
Loans to foreign governments—		
Greece.	6,525,000	
Roumania.	23,969,000	
		30,494,000
Loans to harbour commissioners—		
Montreal.	58,422,000	
Vancouver.	22,625,000	
New Westminster.	275,000	
		81,322,000
Canadian National Railways.		17,305,000
Canadian Farm Loan Board.		8,503,000
Soldier and general land settlement.		45,402,000
Seed grain and relief advances.		2,393,000
Canadian government railways open and stores accounts. . .		15,749,000
Deferred debits—		
Unamortized discount and commission on loans.		20,782,000
		\$408,775,000
Net debt March 31, 1934 (estimated)		\$2,731,696,000
Represented by—		
Non-active Assets, March 31, 1934 (estimated)—		
Capital expenditures—		
Public works, Canals.	\$ 242,092,000	
Railways.	444,314,000	
Public buildings, harbour and river improvements.	251,061,000	
Military property and stores.	12,035,000	
Territorial accounts.	9,896,000	
		959,398,000
Loans, non-active—		
Canadian National Railways.		655,527,000
Railway accounts (old).		88,399,000
Canadian National Steamships.		15,353,000
Harbour commissioners—		
Quebec.	\$ 26,257,000	
Chicoutimi.	3,282,000	
Halifax.	8,768,000	
Saint John.	12,748,000	
Three Rivers.	2,694,000	
Montreal south shore bridge.	1,588,000	
		55,337,000
Seed grain and relief advances.		675,000
Soldier and general land settlement.		16,514,000
Miscellaneous advances.		3,527,000
Consolidated fund—		
Balance, consolidated fund, brought forward from March 31, 1933.	811,417,000	
Excess of expenditure over revenue, fiscal year ended March 31, 1934 (estimated).	125,549,000	
		936,966,000
		\$2,731,696,000

Ways and Means, 1934-35

With higher prices and expanding volume of business, the outlook for the revenues in the current fiscal year is distinctly favourable. A substantially increased income over the past year is assured even with only a maintenance of the gains already made and there are indications that the upward movement is being continued. The collections in the first two weeks of April have been most reassuring. As

the ordinary expenses of government have been kept closely to the amount disbursed last year, and as there is ground for expecting a substantial reduction in the requirements for unemployment relief and railway deficits, it seems reasonably clear that we can anticipate a greatly improved budget position without adding to the existing rates of taxation. The taxation proposals therefore are not extensive.

Income Tax

No changes will be made in the schedules of income tax rates and exemptions. The five per cent tax on interest and dividends will be retained for another year. The Income War Tax Act, however, will be subject to a number of minor amendments, designed primarily to remove existing inequalities in its application.

Sales Tax

There are a few, but very few, alterations proposed in the various taxes at present levied under the Special War Revenue Act. I shall now enumerate these, commenting very briefly where any particular item calls for explanation.

It is not proposed to make any change in the rate of sales tax nor to alter materially the existing schedule of exemptions from this tax. There will be transferred to the exempt list bakers' cake and pies, certain sugar bush equipment, and milk albumen used exclusively in the production of animal or poultry feed. Otherwise the sales tax will remain unaltered.

Excise Taxes

With respect to excise taxes (apart from the changes to be mentioned in connection with beer and some of its ingredients which are in future to be dealt with under the Excise Act), the following changes are to be made. The present tax on sugar will be reduced to one cent a pound. Glucose and grape sugar, except when used in the manufacture of leather and artificial silk, will in future bear the rate of one-half cent a pound. These changes in the tax on sugar will become effective as of July first. On sparkling wines the tax will be reduced to seventy-five cents a gallon. The tax on cigarette tubes imported into or manufactured in Canada will be reduced from four to three cents a hundred tubes.

With respect to all imports under the British preferential tariff, the special excise tax will be reduced by one half, that is from three to one and one-half per cent. The reduction will also apply to certain commodities which under empire agreements enter Canada at lower rates of duty than those obtaining under the British preference.

The stamp tax on postal notes issued in the amount of \$1 and under is to be reduced to one cent.

Tax on Gold

To replace the revenue lost by the reduction in the tax on sugar, it is proposed to levy a tax of ten per cent on gold. In this connection one must keep in mind the fact that

since our abandonment of the gold standard, the price of gold in Canadian currency has risen from \$20.67 an ounce to approximately \$35. This is an increase in the selling price of the product of our gold mines of about seventy per cent. Furthermore, the extraordinary increase in the profits which accordingly accrue to gold producers finds its origin in circumstances entirely external to this particular industry. That is to say, the reason for this increase in price is to be found in the chaotic conditions of world currencies, the depreciation of our dollar in the foreign exchanges and the devaluation of gold by certain countries.

The proposed ten per cent tax will be deducted from the proceeds of all gold deposited at the Mint for sale. On such gold as is unacceptable for treatment at the Mint and is exported, the tax shall be collected under regulations to be made by the governor in council. In order that the tax shall not apply when the conditions giving rise to these fortuitous gains accruing to gold producers have to a degree disappeared, it is provided that the tax shall not operate to reduce the amount paid for gold below \$30 an ounce in Canadian currency. In view of the tax the present handling charge incidental to the disposal and sale of the gold will be discontinued.

In announcing this tax, it is perhaps expedient that I suggest in advance a partial view of the circumstances which I believe make this form of tax more desirable than any alternative form which suggests itself, such as, for example, an excess profits tax on gold producers. This aspect of the matter has received the most careful consideration and we are convinced that whilst a tax designed to reach excess profits has certain advantages, the form of the tax as proposed is, on balance, best adapted to meet our particular situation.

For example, you are aware that many of our mines in Canada in the process of producing gold, produce other metals as well, and that in some other mines where base metals are the major products, considerable gold is recovered in the process. The difficulty which would arise in such cases in the levying of an excess profits tax would be that of determining for taxation purposes the profits due to the increase in the price of gold. The proposed tax avoids this difficulty. It may also be emphasized that the tax will be extremely simple in administration and can be collected with a minimum of cost. An excess profits tax, on the other hand, would necessarily be more complex and would involve additional expense and administrative machinery. Furthermore, the present tax will immediately

return substantial revenue, while a tax on profits, unless made retroactive, would not provide additional revenue for the current year.

Against the contention that the proposed tax will injure the gold mining industry, it can be asserted that little if any of our production is obtained at present on such a narrow margin of profit as to be vitally affected by the proposed tax. Also, there is reason to believe that many of the recently discovered bodies of ore are such that profits would be realized even if the price of gold were at the usual \$20.67 level, the price under which, I may point out, we attained the position of second largest gold producing country in the world.

Finally, it is believed there can be no legitimate objection to a tax which will operate merely to establish a market price for gold of approximately \$31.50 an ounce fine under present conditions, especially when it is remembered that the average price received by our gold producers during the last calendar year was only \$28.72 an ounce. This was a year, as you are aware, of great prosperity in the industry and of intense activity in the exploration and development of gold mining properties.

Excise Duties

The principal change in connection with excise duties is a consolidation of the existing duty of three cents a pound on malt and the gallonage tax of twelve and one-half cents on beer now levied under the Special War Revenue Act, into a single excise duty of seven and one-half cents a pound on malt.

While this change will result in a slight reduction in the rate of taxation to which beer is directly or indirectly subject, if calculated on a gallonage basis, it is believed that the total revenue forthcoming will at least equal that currently obtained from malt and beer. The new method of administration will assure not only more economical but also more certain collection of the tax. Furthermore, since the duty is to be levied on the malt alone, the time of payment will be advanced and the revenue secured before the malt goes into production.

In accordance with the above-mentioned change the existing duty on beer or fermented beverages made from substances other than malt has been increased by the appropriate amount and the excise tax on beer imported becomes an excise duty. The existing tax of twenty cents a pound on malt syrup is to be reduced to seventeen cents to allow for the increase in the duty on the malt used in its production and will be levied as an excise

duty. In view of the increase in the duty on malt the existing tax on sweet wort is to be repealed. These changes in excise duties become effective July 1.

Customs Tariff

Amendments to the Customs Tariff are relatively few in number, but not without interest, and are summarized as follows:

Reduction under all tariffs.. . . .	24
Reductions under British preferential tariff only.. . . .	15
Reductions under intermediate and general tariffs only.. . . .	13
Increases under intermediate and/or general tariffs.. . . .	2
Increases under all tariffs.. . . .	1
Clarification of wording.. . . .	17

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Items of major commercial importance on which reductions are confined to the British preferential tariff include jute yarns, wide steel plate, salt cake, crude oil not in its natural state, impregnated canvas and spun yarns of artificial silk.

Numerous chemical commodities are returned to the free list, the more important of these being gum amber, aluminum leaf, flotation reagents, ingredients of synthetic resins and synthetic kryolite.

The solitary instance of upward revision under all tariffs is that of jute twines, the proposed rates being the result of an inquiry by the tariff board.

Duties are imposed, under the intermediate and general tariffs, on crude peanut oil and are increased on certain ferro-alloys. The former action provides an empire preference contemplated by the imperial economic conference but not hitherto made effective; the latter is intended to protect an important Canadian key industry, the only one of its kind in the dominion, against the questionable commercial practices of certain European producers.

The drawback of duty hitherto granted on imported bituminous coal, used in the production of coke in by-product recovery coke ovens, has been widened in terms to cover coke "produced by any method," with the amount of drawback for the entire item reduced from ninety-nine to fifty per cent.

Tariff Board

Since its inception in the early part of last summer, the tariff board, under Part I of The Tariff Board Act, has reported to Parliament upon eleven references made to it by the Minister of Finance. The subject matter of these reports is as follows: salt

cake, impregnated canvas, jewellery findings, glass bases for imitation pearls, firearms and parts, button blanks, sailcloth of Egyptian cotton, jute yarns and twines, collodion bronze powders and telegage liquid. As respects all but the three last named, the Board's reports are directly reflected in several of the tariff proposals being announced to-day. These reports will be tabled forthwith. In addition, the tariff board has prepared an interim report on the wool reference, which arose out of an application by the British producers of woollen goods. The latter report will be tabled shortly.

Following representations by His Majesty's government in the United Kingdom, this government contemplates action by order in council whereby the British content requirement shall be reduced from one-half to one-quarter, in respect of a wide range of chemicals, drugs, and chemical commodities.

Revenues 1934-35

It is estimated that the total revenue for the current fiscal year, after giving effect to the changes which have been enumerated, will amount to \$360,000,000, made up as follows:

Taxation revenue:

Customs duties.. . . .	\$ 78,000,000
Excise duties.. . . .	40,000,000
Income tax.. . . .	61,000,000
Sales tax.. . . .	72,000,000
Manufacturers' stamp, importation and other special taxes..	55,000,000
	<u>\$306,000,000</u>

Non-tax revenue:

Post office.. . . .	\$ 32,000,000
Interest on investments.. . . .	11,300,000
Other sources.. . . .	10,700,000
	<u>\$ 54,000,000</u>

Total.. . . . \$360,000,000

The ordinary expenditures for 1934-35 are estimated at \$351,200,000. The anticipated revenue, therefore, will provide fully for these expenditures and leave a surplus of \$8,800,000 to apply on capital and extraordinary expenditures.

While the demands upon the treasury have not permitted any general lowering of the rate of taxation, it is felt that the reductions, remissions and adjustments already outlined will have the effect of easing the burden in those cases where it has borne most heavily, and that the single increase in taxation will not result in undue, if any, hardship.

Thoughtful observers have with one voice expressed the opinion that the process of

recovery from this unprecedentedly severe and prolonged depression would be gradual. Indeed, it may be fairly asserted that too rapid recovery would present the danger of an unhealthy reaction, and that we would be far better off in the long run if improving conditions should conform to the truth of the old adage, "slow, but sure."

At the same time, while the improvement has been gradual, it has not only been sustained but has progressively increased. This is evidenced by the splendid increases in both imports and exports for the month of March, which show a proportionate advance in volume of trade hitherto unprecedented.

It is generally recognized that this depression and its blighting effects have been world wide. This fact of itself has had the tendency to produce a "depression psychology," followed by what might be termed a "depression weariness." The result is that we do not so readily recognize and properly appraise the incontrovertible evidences of reviving activity which have made their appearance.

These signs of improvements are so marked as to indicate beyond question that we are on the road to recovery. May we with renewed hope, fresh courage and firm step press on towards the goal of better and happier days which lie not far ahead.

Resolutions.

Mr. Speaker, I beg to give notice that when we are in committee of Ways and Means I will move the following resolutions:

INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:—

1. That income shall include rents, royalties, reservations and other like considerations which fluctuate according to the production from or the use of the property leased or sold.

2. That companies exempt from taxation under section four, paragraph (k) of the act shall not be exempt if they fail to file, without reasonable cause therefor, within four months from the close of their fiscal period an annual return on the form prescribed, and at the same time pay a filing fee of one hundred dollars.

3. That the exemption of \$1,000 heretofore afforded a trustee accumulating income in trust for the benefit of unascertained persons or of persons with contingent interests shall be abolished.

4. That interest, dividends, rents, royalties, annuities and other periodical payments received by executors and administrators of a deceased person shall be apportioned as if accruing from day to day and that portion accrued to the date of death shall be taxed as income of the deceased.

5. That the amounts paid by an estate or trust for the upkeep, maintenance and taxes of any property which under the terms of the

will or trust in question are required to be maintained for the use of life beneficiaries shall be taxable as income of such beneficiaries.

6. That where any of the shares of a personal corporation are held by a non-resident shareholder, the company shall be taxable at the corporate rates of tax on such shareholder's proportionate interest in the income of the personal corporation.

7. That income from assets transferred directly or indirectly by a taxpayer to minors shall continue to be taxed as the income of the taxpayer transferring the assets.

8. That any enactment founded on this resolution shall be deemed to have come into force at the commencement of the 1933 taxation period and to be applicable thereto and to the fiscal periods ending therein, and to all subsequent periods.

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend The Special War Revenue Act, chapter one hundred and seventy-nine of the revised statutes of 1927, and amendments thereto, and to provide as follows:

1. That the excise tax imposed by section eighty and schedule II of the said act on the following items be repealed, namely:

Ale, beer, porter and stout;

Unfermented wort (sweet wort) suitable for the brewing of beer, (as imposed by section twenty-seven of chapter fifty of the statutes of 1932-33);

Malt syrup, or malt syrup powder, extracts of malt, fluid or not, or any other malt product suitable for the brewing of beer, (as imposed by said section twenty-seven).

(To be replaced by excise duties).

2. That said Schedule II, as enacted by section twenty-seven of chapter fifty of the statutes of 1932-33, be further amended by striking thereout items (i) and (ii) and substituting the following:

(i) Materials enumerated in customs tariff items 134, 135, 135 (a), 135 (b), 139 (except glucose and grape sugar) 140 (except molasses); invert sugar and syrup, 1c. per pound;

(ii) Glucose and grape sugar (except when for use exclusively in the manufacture of leather and artificial silk), $\frac{1}{2}$ c. per pound.

3. That schedule III to the said Act, being the list of articles exempted from the consumption or sales tax, as enacted by section twenty-eight of chapter fifty of the statutes of 1932-33, be amended as follows:

(a) by deleting the words "when produced by any one manufacturer or producer to the value of not more than three thousand dollars in any one calendar year" where they appear after the words "bakers' cake and pies" at the end of the second paragraph of said schedule and by substituting the words "not to include biscuits, cookies or other similar articles";

(b) by adding to the said schedule the following:

Sap spouts and sap buckets, evaporators and complete parts therefor, when for use exclusively in the production of maple syrup;

Milk albumen, when for use exclusively in the production of animal or poultry feeds.

4. That schedule V to the said act, as enacted by section thirty of chapter fifty of the statutes of 1932-33, containing list of exemptions from special excise tax imposed by section eighty-eight of the said act, as enacted by section twelve of chapter fifty-four of the statutes of 1932, be amended by adding thereto the following:

"Articles enumerated in customs tariff item 352 (a)".

5. That subsection one of section seventy of the said act, as enacted by section ten of chapter fifty of the statutes of 1932-33, be repealed and the following substituted therefor:

70. (1) No postal note shall be issued under the provisions of The Post Office Act unless there is affixed thereto a postage stamp of the value of:

(i) one cent if the amount of money for which the postal note is issued is not more than one dollar;

(ii) three cents if the amount of money for which the postal note is issued exceeds one dollar;

to be paid for by the purchaser of the note.

6. That subsection two of section seventy-seven A, as enacted by section twelve of chapter fifty of the statutes of 1932-33, be repealed and the following substituted therefor:

77A. (2) Except as hereinafter provided, every manufacturer and every importer of cigarette paper tubes shall affix to every package of cigarette paper tubes manufactured by him or imported by him into Canada, an excise stamp of the value of three cents for each one hundred cigarette paper tubes or fraction of one hundred cigarette paper tubes contained in such package.

7. That subsection one of section eighty-three of the said act be amended by repealing paragraph (b) and substituting the following:

(b) a tax of seventy-five cents per gallon on champagne and all other sparkling wines.

8. That section eighty-eight of the said act, as enacted by section twelve of chapter fifty-four of the statutes of 1932, be amended by adding thereto the following proviso:

Provided, further, that the said tax be at the rate of one and one-half per cent on all goods imported into Canada entitled to the benefit of the British preferential tariff or any lower tariff.

9. That there shall be imposed, levied and collected a tax of ten per centum on the value of gold deposited for sale at the Royal Canadian Mint, such value to be an amount calculated under regulations to be made by the governor in council on the basis of the sale price of gold in the world market converted into Canadian currency at the prevailing rates of exchange, the amount of the tax to be deducted from the value so determined before final settlement is made by the Mint with the depositor.

10. That it shall be unlawful for any producer of gold from natural deposits in Canada to dispose of the same in quantities exceeding five ounces fine in any one week except by depositing it with the Royal Canadian Mint or the Dominion of Canada Assay Office, Vancouver, if such gold is in a form acceptable under the regulations for the receipt of gold

bullion at the Royal Canadian Mint and that penalties be provided for violation of this provision.

11. That no charges, except the charges imposed by the regulations for the receipt of gold bullion at the Royal Canadian Mint, shall be made by the Mint in respect of any gold subject to the said tax.

12. That all gold exported in the form of ore, concentrates, or base bullion and all gold in manufacturers' sweeps so exported shall be subject to a like tax, under regulations to be made by the governor in council.

13. That the said tax shall not operate so as to reduce the amount payable to the depositor or exporter below thirty dollars per ounce fine in currency of Canada.

14. That any enactment founded on paragraphs one and two of this resolution shall come into force on the first day of July, one thousand nine hundred and thirty-four.

15. That any enactment founded on paragraphs three, four and five of this resolution shall be deemed to have come into force on the nineteenth day of April, one thousand nine hundred and thirty-four.

16. That any enactment founded on paragraphs six, seven and eight of this resolution shall be deemed to have come into force on the nineteenth day of April, one thousand nine hundred and thirty-four, and to have applied to all goods mentioned therein imported or taken out of warehouse for consumption on and after that day, and to have applied to goods previously imported for consumption for which no entry for consumption was made before that day.

17. That any enactment founded on paragraphs nine to thirteen, inclusive, of this resolution shall be deemed to have come into force on the nineteenth day of April, one thousand nine hundred and thirty-four.

EXCISE ACT

Resolved, That it is expedient to introduce a measure to amend the Excise Act, being chapter sixty of the revised statutes of Canada, 1927, and amendments thereto, and to provide:

1. That the excise duty on malt be increased as follows:

(a) On screened malt (malt from which the comings have been removed), manufactured in Canada subject to excise regulations with respect to absorption of moisture in warehouse, from three cents per pound to seven and one-half cents per pound;

(b) On malt imported into Canada and warehoused, from three cents per pound to seven and one-half cents per pound;

(c) On malt imported into Canada, crushed or ground, from five cents per pound to nine and one-half cents per pound;

thereby consolidating as a single duty of excise the duties of excise now imposed upon malt used in the brewing of beer and the gallage tax imposed under the Special War Revenue Act at the rate of twelve and one-half cents per gallon upon the beer itself, the said gallage tax to be repealed by an amendment to the Special War Revenue Act.

All duty-paid malt on hand in any premises subject to excise on the day this act comes into force to be subject to the difference between the rate already paid and that hereby imposed.

2. (a) That the existing duty imposed on beer or any fermented beverage made in imitation thereof, brewed in whole or in part from any other substance than malt, be increased from fifteen cents per gallon to twenty-five cents per gallon, thereby maintaining the differential rate of duty between beer brewed by the use of malt and beer brewed by the use of other substances and combining with the said excise duty the gallage tax imposed upon such liquor under the Special War Revenue Act.

(b) That an excise duty be imposed on all beer imported into Canada and taken out of bond for consumption at the rate of twelve and one-half cents per gallon, to replace the excise tax imposed at the same rate under the Special War Revenue Act.

(c) That an excise duty be levied upon all beer brewed from duty-paid malt in storage at the time of the coming into force of this Act at the rate of ten cents per gallon.

3. That an excise duty be levied upon all unfermented wort (sweet wort) suitable for the brewing of beer in storage and unsold at the coming into force of this act, at the rate of ten cents per gallon, thereby equalizing the duty to be levied upon such sweet wort with the duty to be levied upon the malt entering into the production of sweet wort produced after the coming into force of the increased duty on malt hereby proposed; the tax imposed upon such wort under the Special War Revenue Act to be repealed.

4. That excise duties be levied on all malt syrup suitable for the brewing of beer at the following rates:

(a) When manufactured or produced in Canada prior to the coming into force of this act, per pound twenty cents;

(b) When manufactured or produced in Canada after the coming into force of this act, per pound seventeen cents;

(c) When imported into Canada or taken out of warehouse after the coming into force of this act, per pound twenty cents;

the above duties to replace the existing tax imposed by the Special War Revenue Act at the rate of twenty cents per pound, the reduction under (b) being to compensate for the increased duty on malt which enters into the production of such syrup.

5. That any enactment founded on this resolution shall come into force on the first day of July, one thousand nine hundred and thirty-four.

RESOLUTIONS TO AMEND THE CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, being chapter forty-four of the revised statutes of Canada, 1927, as amended by chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first session), chapter three of the Acts of 1930 (second session), chapter thirty of the Acts of 1931, and chapters six and thirty-seven of the Acts of 1932-33, be further amended by striking thereout paragraph (j) of subsection (1) of section 2 thereof and by substituting therefor the following:

(j) "Proof", "proof spirit" or "proof spirits", means any spirit having the strength of proof by Sikes' hydrometer, that is, spirit which at the temperature of fifty-one degrees Fahrenheit weighs exactly twelve-thirteenths of the weight of an equal measure of distilled water at the same temperature.

2. Resolved, That the aforesaid customs tariff be further amended by adding to section 5 thereof the following subsection:

(5) In computing the ad valorem rate of duty on tea purchased in bond in the United Kingdom, the value for duty shall not include the amount of the customs duty payable on tea for consumption in the United Kingdom.

3. Resolved, That schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter

seventeen of the Acts of 1928, chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first session), chapter three of the Acts of 1930 (second session), chapter thirty of the Acts of 1931, chapter forty-one of the Acts of 1932, and chapters six and thirty-seven of the Acts of 1932-33, be further amended by striking thereout tariff items 99e, 180, 187, 203b, 207, 208e, 208g, 208u, 210d, 210e, 219(ii), 242, 254, 267b, 278b, 278d, 294, 334, 339a, 353, 353a, 370, 375, 380, 392a, 409e(ii), 410d, 412, 414b, 445j, 471a, 472, 475, 511, 537, 537a, 551c, 651, 651a, 685, 709, 733, 811, 815, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Int. Tariff	Gen. Tariff
210e	Nitrate of soda or cubic nitre when imported for use as a fertilizer, for use in the curing or pickling of meats or for use in the manufacture of vitreous glazes and enamel frits, or when imported by manufacturers of explosives for use exclusively in the manufacture of explosives, in their own factories...	Free	Free	Free	Free Free	Free 15 p.c.	Free 20 p.c.
216d	Phthalic anhydride, adipic, abietic, maleic and succinic acids and ethylene glycol, when imported by manufacturers of synthetic resins, for use exclusively in the manufacture of synthetic resins, in their own factories...	Free	Free	Free	Free	25 p.c.	25 p.c.
219	(ii) Solutions of hydrogen peroxide containing twenty-five per centum or more by weight of hydrogen peroxide.....	Free	22½ p.c.	25 p.c.	Free	22½ p.c.	25 p.c.
219e	Mixtures containing cyanides, for use in combating destructive insects and pests.....	Free	Free	Free	Free	15 p.c.	15 p.c.
242	Dry red lead, orange mineral and titanium oxide; zinc oxides such as zinc white and lithopone.....	Free	15 p.c.	15 p.c.	Free 15 p.c.	15 p.c. 20 p.c.	15 p.c. 22½ p.c.
246b	Stains and oxides, valued at not less than 20 cents per pound, and liquid gold, for use exclusively as colouring constituents in the manufacture of vitreous enamels and pottery glazes.....	Free	20 p.c.	22½ p.c.	15 p.c. 15 p.c.	20 p.c. 22½ p.c.	22½ p.c. 25 p.c.
254	Gums, viz.:—Arabic, Australian, copal, damar, elemi, kauri, mastic, sandarac, Senegal, tragacanth, gcedda, and barberry; gum chicle or sappato gum, crude; lac, crude, seed, button, stick and shell; ambergris; Fontianac.....	Free Free	15 p.c. Free	15 p.c. Free	Free Free	15 p.c. 15 p.c.	15 p.c. 15 p.c.
254a 267b	Gum, amber..... Crude petroleum not in its natural state, 7250 specific gravity or heavier at 60 degrees temperature, when imported by oil refiners to be refined in their own factories..... per gallon	Free Free	1½ cts. 10 p.c.	1½ cts. 10 p.c.	½ ct. Free	1½ cts. Free	1½ cts. Free
278b	Crude peanut oil, for refining for edible purposes, used as materials in Canadian manufactures.....	Free	10 p.c.	10 p.c.	Free	Free	Free
278d	Olive oil for manufacturing soap or tobacco or for canning fish; olive oil for use in the processing of textile fibres, including the finishing of fabrics.....	Free	Free	Free	Free Free	Free 12½ p.c.	Free 20 p.c. 15 p.c.
294	Gypsum, ground, not calcined.....	10 p.c.	12½ p.c.	15 p.c.			

333c	Concave blanks of uncoloured clear glass, when imported by manufacturers to be used exclusively in the manufacture of silvered mirror collectors for lantern slides.....	Free	10 p.c.	10 p.c.	15 p.c.	20 p.c.	22½ p.c.
334d	Beads, drops or other shapes of glass, when imported by manufacturers of imitation pearls, for use exclusively in the manufacture of such articles in their own factories.....	Free	Free	Free	15 p.c.	20 p.c.	22½ p.c.
334	Articles of glass or crystal.....	Free	Free	Free	Free	Free	Free
339a	Lead capsules for bottles.....	Free	27½ p.c.	30 p.c.	10 p.c.	25 p.c.	30 p.c.
339	Aluminum and alloys thereof, crude or semi-fabricated, viz.: Pins, needles, blocks, notch bars, studs, bullets and bullets, bars, rods and wire angles, channels, beams, tees and other rolled or drawn sections and shapes; pipes and tubes; plates, sheets and strips, including circles; leaf, n.o.p., or foil, less than .005 inch in thickness; plain or embossed, with or without backing; wire and cable, twisted or stranded, reinforced with steel or not; aluminum powder.....	Free	30 p.c.	30 p.c.	Free	30 p.c.	30 p.c.
339a	Aluminum leaf, less than .005 millimetres in thickness; aluminum strap.....	Free	Free	Free	Free	Free	Free
339a	Provided, that nothing shall be deemed to be aluminum scrap except waste or refuse aluminum, fit only to be remelted.....	Free	Free	Free	Free	Free	Free
362a	Metal parts, electro-plated, for loose-leaf binders.....	20 p.c.	37½ p.c.	45 p.c.	30 p.c.	37½ p.c.	45 p.c.
365a	Findings of metal, not plated or coated, including stampings, trimmings, spring-rings, bolt-rings, clasps, snaps, swivels, vest chain bars, joints, catches, pin tongues, buckle tongues, coil pins, clip fasteners, settings and eye-pins, when imported by manufacturers of jewellery or ornaments for the adornment of the person, for use exclusively in the manufacture of such articles, in their own factories.....	15 p.c.	25 p.c.	30 p.c.	25 p.c.	35 p.c.	40 p.c.
365b	Wire or strip, viz.: Gold, gold-filled, silver, silver-filled, brass or nickel silver, knurled, twisted, figured or with ornamental design rolled or drawn thereon, and wire of nickel silver, plain, in coil or otherwise, when imported by manufacturers of jewellery or ornaments for the adornment of the person, for use exclusively in the manufacture of such articles in their own factories.....	Free	20 p.c.	25 p.c.	10 p.c.	30 p.c.	35 p.c.
370	Copper rollers, and stones, used in the printing of textile fabrics or wallpaper.....	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
375	Ferro-alloys:— (a) Ferro-manganese, spiegeleisen and other alloys of manganese and iron containing not more than 1 per centum, by weight, of silicon—per pound, or fraction thereof, on the manganese contained therein.....	Free	1 ct.	1½ cts.	Free	Free	Free

Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
				B.P. Tariff	Int. Tariff	Gen. Tariff
	(b) Silico-manganese, silico spiegel and other alloys of manganese and iron containing more than 1 per centum, by weight, of silicon—per pound, or fraction thereof, on the manganese contained therein.....	1½ cts.	1½ cts.	Free Free	Free 5 p.c.	Free 5 p.c.
	(c) Ferro-silicon, being an alloy of iron and silicon containing 8 per centum or more, by weight, of silicon and less than 60 per centum—per pound, or fraction thereof, on the silicon contained therein.....	1½ cts.	1½ cts.	Free Free	7½ p.c. 10 p.c.	7½ p.c. 10 p.c.
	(d) Ferro-silicon, being an alloy of iron and silicon containing 60 per centum or more, by weight, of silicon and less than 90 per centum—per pound, or fraction thereof, on the silicon contained therein.....	2½ cts.	2½ cts.	Free	10 p.c.	10 p.c.
	(e) Ferro-silicon, being an alloy of iron and silicon containing 90 per centum or more, by weight, of silicon—per pound, or fraction thereof, on the silicon contained therein.....	5 cts.	5½ cts.	15 p.c.	25 p.c.	25 p.c.
	(f) All alloys used in the manufacture of steel or iron, n.o.p.....	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
380	Plates of iron or steel, hot or cold rolled:— (a) Not more than 66 inches in width, n.o.p. per ton (b) More than 66 inches in width, n.o.p. per ton (c) Flanged, dishd or curved, n.o.p. Provided, that as regards subsection (b) of this tariff item, the provisions of Section 6 of the Customs Tariff Act shall not apply to importations under the British Preferential Tariff.	\$8 00 \$6 00 25 p.c.	\$8 00 \$6 00 30 p.c.	\$4 25 Free 10 p.c.	\$8 00 \$6 00 25 p.c.	\$8 00 \$6 00 30 p.c.
392a	Forgings of iron or steel, in any degree of manufacture, hollow, machined or not, not less than 12 inches in internal diameter.....	30 p.c.	30 p.c.	Free 20 p.c. 15 p.c.	30 p.c. 27½ p.c. 27½ p.c.	30 p.c. 30 p.c. 35 p.c.
409e	(ii) Fruit and vegetable grading, washing and wiping machines and combination bagging and weighing machines, and complete parts therefor.....	10 p.c.	10 p.c.	Free 15 p.c.	10 p.c. 27½ p.c.	10 p.c. 35 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Int. Tariff	Gen. Tariff
511a	Cricket bats, balls, gloves and leg guards.....	Free	30 p.c.	35 p.c.	20 p.c. 17½ p.c. 25 p.c.	30 p.c. 22½ p.c. 25 p.c.	35 p.c. 25 p.c. 45 p.c.
523h	Sailcloth wholly of Egyptian cotton, imported for use exclusively in the manufacture of sails for boats and ships, under regulations prescribed by the Minister and..... per pound	Free	20 p.c. 3½ cts.	25 p.c. 4 cts.	17½ p.c. 2 cts.	20 p.c. 3½ cts.	25 p.c. 4 cts.
523i	Filter cloth wholly of cotton, with cut pile, in the web or made up, imported for use exclusively in mining and metallurgical operations..... per pound	10 p.c.	30 p.c. 3½ cts.	35 p.c. 4 cts.	25 p.c. 2 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.
537	Rovings, yarns and warps wholly or in part of vegetable fibres, not more advanced than singles, n.o.p., not to contain silk, artificial silk nor wool.....	Free	17½ p.c.	25 p.c.	12½ p.c.	17½ p.c.	25 p.c.
537a	Rovings, yarns and warps, wholly or in part of vegetable fibres, including yarn twist, cords and twines generally used for packaging and other purposes, n.o.p., not to contain silk, artificial silk nor wool.....	27½ p.c.	30 p.c.	32½ p.c.	20 p.c.	22½ p.c.	25 p.c.
541d	Canvas in the web, wholly of flax or hemp or both, plain woven, not coloured, not further manufactured than impregnated with weather-proofing or preservative materials, suitable for manufacturing into tents, awnings, tarpaulins, hatch covers and similar articles, weighing not less than 18 ounces and not more than 26 ounces per sq. yard..... per pound	15 p.c.	30 p.c. 3½ cts.	35 p.c. 4 cts.	25 p.c. 3 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.
551c	Yarns and warps composed wholly of hair or of hair and any vegetable fibre, imported by manufacturers for use in their own factories.....	Free	17½ p.c.	20 p.c.	Free and	17½ p.c. 15 cts. per lb.	20 p.c. 17½ cts. per lb.
556	and..... per pound Needled hair felt, imported by manufacturers of felt carpets and carpeting, for use exclusively in the manufacture of such felt carpets and carpeting, in their own factories..... per pound	Free	15 cts.	17½ cts.	10 p.c. and 7½ cts. per lb.	17½ p.c. 15 cts. per lb.	20 p.c. 17½ cts. per lb.
558f	Rovings, yarns and warps wholly of spun artificial silk or similar synthetic fibres produced by chemical processes, not coloured, imported by manufacturers for use exclusively in the manufacture of cut-pile fabrics, in their own factories..... per pound but not less than.....	Free	10 p.c. 15 cts.	10 p.c. 17½ cts.	30 p.c. 18½ cts.	40 p.c. 32½ cts.	40 p.c. 35 cts.
			30 p.c. 28 cts.	35 p.c. 28 cts.	25 p.c. 23 cts.	30 p.c. 28 cts.	35 p.c. 28 cts.

397b 616c	Harpas Liquid rubber compound, non alcoholic, when im- ported by manufacturers of sealing compounds for cans and jars, for use exclusively in the manufacture of such sealing compounds, in their own factories.	Free	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
634	(ii) Materials, when imported by manufacturers of artificial leathers, fruits, grains, leaves and flowers, for use exclusively in the manufacture of such articles, in their own factories.....	Free	Free	Free	15 p.c.	25 p.c.	27½ p.c.
651	Buttons of all kinds, covered or not, and button blanks other than in the rough, n.o.p.; recognition buttons and cuff or collar buttons..... per gross	20 p.c. 5 cts.	27½ p.c.	27½ p.c. and 30 cts.	27½ p.c. and 30 cts.	40 p.c. 10 cts. 40 p.c. 40 cts.	45 p.c. per yard 10 cts. 45 p.c. per pound 40 cts.
651a	Buttons, and button blanks other than in the rough, of vegetable ivory..... per gross	20 p.c. 5 cts.	35 p.c. 5 cts.	35 p.c. 5 cts.	20 p.c. 5 cts. 15 p.c.	35 p.c. 5 cts. 25 p.c.	35 p.c. 5 cts. 25 p.c.
663d	Soya beans, when imported by manufacturers of milk foods for human consumption, for use exclusively in the manufacture of such milk foods, in their own factories, until September 30, 1934.....	20 p.c. 5 cts.	35 p.c. 10 cts.	35 p.c. 10 cts.	20 p.c. 5 cts. 15 p.c.	35 p.c. 10 cts. 25 p.c.	35 p.c. 10 cts. 25 p.c.
685	Pentagraphs and parts thereof, including diamond points, and engraving mills, for engraving copper rollers used in printing textiles and wallpapers; blankets, blanketing and lapping imported for use exclusively by textile manufacturers and wallpaper printers.....	Free	Free	Free	Free	1½ cts.	2 cts. per pound
709	Articles and other goods, the growth, produce or manufacture of Canada, returned to the exporter thereof after having been exported without having been advanced in value or improved in condition by any process of manufacture or other means; also quick-silver flasks, and other metallic receptacles or holding liquids, oyster shells, and impact registers or recorders for use in railway cars, after having been once exported from Canada.....	Free	Free	Free	Free 15 p.c. 15 p.c.	Free 25 p.c. 27½ p.c.	Free 25 p.c. 35 p.c.
	Provided that the said articles and goods are returned within five years from time of export- ation, subject to regulations prescribed by the Minister;		Free	Free	Free 20 p.c.	Free 30 p.c.	Free 35 p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Int. Tariff	Gen. Tariff
811	<p>Provided also that any article or goods described in this paragraph, upon which an allowance of drawback has been made, shall not be admitted to entry except upon payment of duties equal to the drawback allowed;</p> <p>Provided further that any of such goods or articles manufactured in bond or under Excise regulations in Canada and exported shall not be admitted to entry except upon payment of the Customs or Excise duties to which they would have been liable had they not been exported from Canada.</p> <p>Ceramic insulator cores, not further manufactured than burned and glazed, printed or decorated or not, without fittings, when imported by manufacturers of spark plugs for use exclusively in the manufacture of spark plugs, in their own factories..</p>	5 p.c.	10 p.c.	15 p.c.	5 p.c. 15 p.c.	10 p.c. 25 p.c.	15 p.c. 27½ p.c.
815	<p>Potato starch or potato flour enumerated in Tariff Item 39 of the Customs Tariff, when imported for use as material in Canadian manufactures, the weight of the package to be included in the weight for duty, until July 31, 1934.....per pound</p>	½ ct.	1 ct.	1 ct.	½ ct.	1 ct.	1 ct.

4. Resolved, that Schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking therefrom Tariff Items 1049, and 1055, the enumerations of goods and the rates of draw-

back of Customs Duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of Customs Duties in said Schedule B:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
1049	Bituminous coal.....	When imported by manufacturers of coke and converted into coke in their own plants..... Provided that drawback payable under this item is in lieu of drawback payable under any other item.	50 p.c.
1055	(a) Materials and Parts, n.o.p. (b) Materials and Parts, as hereunder defined, including all materials or parts wrought into or attached thereto: engines, bodies in the white, chassis frames, hoods, plated radiator shells, splash shields, gas tank shields, gasoline feed pipes, die castings, plated or not, and front and rear fenders, finished or not.	When used in the manufacture of goods enumerated in tariff items 438a and 438b..... When used in the manufacture of goods enumerated in tariff items 438a and 438b..... (1) Provided, that no drawback shall hereafter be paid under this item unless at least fifty per centum of the cost of producing the finished article, not to include, after September 30, 1931, duties paid upon imported materials, has been incurred in Canada; (2) Provided further, that no drawback shall be paid under this item on importations of any of the under-mentioned articles: Anti-squeak braids and strips; axles, front; axles, rear (not to include banjo housing); batteries; bearings, thrust, ball or plain; belts (fan); bodies, painted or trimmed; bolts; brakes, service or emergency; brake lever; brake lining; brake pedals and operating levers; bumpers; bumperettes; cold rolled cowl; roof drip, side and top mouldings; cold rolled running board mouldings, glass channels, belt moulding and hinges; caps (wheel hub); carpets; castings (sand); chassis springs, between frame and axles; circuit breakers; clamps (hood); clevis pins; clocks, stem winding; clutch; clutch pedals; cotter pins; dash liner assemblies; distributors; drag links; drums (wheel); exhaust pipes; electric generators; electric wiring and cables; electric light bulbs; fans (motor); fasteners, carpet and curtain; felt parts; finished strips (window); floor boards (wood); foot rests; forgings, drop, rolled, or pressed; gas tanks; gear shift levers; gear shift lever knobs; glove compartments; hubs; ignition	60 p.c. 25 p.c.

Item No.	Goods	When Subject to Drawback	Portion of Duty (Not including Special Duty or Dumping Duty) Payable as Drawback
		coils; jacks; lamps (head, side, tail and dome) but not including lenses; laminated glass; lubrication fittings; mirrors (rear view); moulded rubber parts; mufflers; nuts; paints; lacquers and thinners; propeller shafts; pyroxylin covered or double top fabric, and enamelled oilcloth; radiator cores; robe rails; rubber tubing; running boards; running board covers; rivets; screws; shock absorbers; solder; spark plugs; springs, coil and seat; stampings of metal (except radiator shell, cowl and body stampings); starter switches; starting motors; starting units; steering gears; studs; tacks; tires (rubber); tire carriers; tire covers; tool kit equipment; tops, and curtains for same; transmissions; Universal joints; upholstering fabrics and materials, other than printed fabrics; varnishes; visors; washers, plain; wheels, including hubs and drums; wheel carriers; wheel rims; windlances; window shades; windshields, complete; windshield frames and metal parts; wood parts for bodies. (3) Provided further, that on all materials and parts used in the manufacture in Canada of the parts enumerated in Proviso. (2) to this Item there shall be payable, when such parts are used in the manufacture of the goods enumerated in tariff items 438a and 438b, a drawback of duty for domestic purposes of..... (4) Provided further, that any claims for drawback that have accrued or may accrue up to and including the 30th day of September, 1931, shall be paid in accordance with the provisions of the Tariff as existent on the 25th day of May, 1931. (5) Provided further, that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this tariff item.	25 p.c.
1060	Plate glass enumerated in tariff item 322, on which duty was paid at the rates of duty set opposite said item.	When used in the manufacture of safety or non-shatterable glass.....	99 p.c.

5. Resolved, that Schedule C to the Customs Statutes of Canada, 1927, be amended by adding Tariff, being chapter forty-four of the Revised thereto the following item:—

1217	Smoke screen apparatus, for use on motor vehicles or on water-borne craft of all kinds.
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6. Resolved, that any enactment founded upon the foregoing resolutions to amend the Customs Tariff or Schedules thereto shall be deemed to have come into force on the nineteenth day of April, one thousand nine hundred and thirty-four, and to have applied to all goods mentioned

in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

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BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES

MINISTER OF FINANCE

MEMBER FOR RICHMOND-WEST CAPE BRETON, N.S.

IN THE

HOUSE OF COMMONS

MARCH 22, 1935



OTTAWA
J. O. PATENAUDE
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1935

131
627-10 1947
61
119

BUDGET SPEECH

DELIVERED BY

HON. EDGAR N. RHODES, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, FRIDAY, MARCH 22,

1935

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER
OF FINANCE

Hon. E. N. RHODES (Minister of Finance)
moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, one year ago in presenting the budget I stated that the low point in the long depression had been reached and passed, that considerable progress had already been made in this and other countries in the restoration of normal conditions, and that the prevailing economic trends were in the direction of further progress. In actual experience the accuracy of this statement and forecast has been established and it is my very good fortune to review the course of business and the trend of public finances during a year which has been marked by continued—and substantial—progress, and a nearer approach to sound and satisfactory business and financial conditions.

If we take the most comprehensive index of Canadian economic activity compiled by the Dominion Bureau of Statistics, we find that the physical volume of business in Canada was in February of this year (based on preliminary figures) no less than 48.5 per cent above the low point of the depression. When we keep in mind that this means practically a fifty per cent increase, on the average, in the number of automobiles, barrels of flour, pounds of sugar, pairs of shoes, tons of steel, tons of newsprint, feet of lumber, yards of cloth, tons of mineral, kilowatt hours of electricity and corresponding units of other articles produced by practically all our leading industries, as well as freight cars loaded, construction contracts awarded, and the volume of trade, we cannot belittle its significance. No less im-

portant is the fact that the improvement is continuing, for this index after a slight recession has again risen to the peak reached last May and is now 15.2 per cent higher than in February, 1934. Moreover, the progress in 1934 was more general than in 1933, as gains were registered in nearly all branches of activity. In view of the unsettled international conditions during the past eight or ten months, this may well be regarded as a real achievement for Canadian business.

In this respect Canada's record compares most favourably with that of other countries. The League of Nations publishes monthly a table showing general index numbers of industrial production for nearly all the leading countries. If we take the fifteen countries for which the figures are available for one of the last three months of 1934 and compare the increases in industrial production since January, 1933, we find that in the degree of advance from January, 1933, to the end of 1934 Canada easily occupies first place. Over this two-year period industrial activity in France showed a decline of 7 per cent and in the Netherlands of 5 per cent. The increases for the other countries are as follows: Belgium, 3 per cent; Japan, 13.2 per cent. Czechoslovakia, 14.7 per cent; Chile, 19.8 per cent; United Kingdom, 22.3 per cent; Norway, 23.3 per cent; Austria, 24.9 per cent; Italy, 26.5 per cent; Sweden, 30.9 per cent; United States, 32.3 per cent; Germany, 36.9 per cent; Poland, 43.1 per cent; and Canada, 46.2 per cent. Canada's progress reflects in part the world-wide recovery based on the automatic working of normal economic forces which have always brought an end to previous depressions, but it is apparent that the greater speed and consistency of our advance must have some real relation to the sound policies which this government has instituted in order to preserve the integrity of our economic and financial structure,

to restore equilibrium in our economy and to stimulate the forces making for recovery.

It is not my purpose to weary you with over many statistical details but it may be well to call attention to a few of the more striking evidences of improvement in particular branches of our economic life.

Our index of manufacturing production, based on 29 factors, was in January 10.2 per cent higher than in January a year ago and 51.4 per cent above the low point of the depression. As measured by this index, manufacturing activity during 1934 was exceeded by that of only five of the sixteen years of the post-war period, namely, the years from 1926 to 1930. Furthermore, during the past year considerable progress was made in adjusting the disparity between durable goods and consumers goods industries which is so characteristic a feature of major depressions. The greater recovery in durable goods industries during the last two years may be illustrated by pointing out that in February the production of pig iron, steel and automobiles was, respectively, 509, 353 and 450 per cent in excess of that for February, 1933, the low point of the depression. The output of automobiles and trucks during the full year 1934 was 116,890, an increase of 92 per cent over 1932.

Closely connected with this improvement in the manufacture of durable goods was a welcome change in the construction industry. Contracts awarded increased 29 per cent over 1933, and the index for February was approximately double that for February of last year. While building activity is still at a low level, construction will benefit materially during the balance of this year from the Public Works Construction Act appropriation, the bulk of which has still to be spent, and all signs, including the greater abundance and cheapness of mortgage money, indicate that the period of abnormally low activity for this important industry has been reached and passed.

The value of mineral production in 1934 surpassed not only that of 1933 but also that of any other year in the history of the industry except 1929 and 1930. In physical volume, the output of metals established several new all-time records. Nickel production, for instance, showed an increase of 56 per cent over 1933 and 18 per cent over 1929, the previous record year. Copper output was 22 per cent above that for 1930, the previous high year, while lead and zinc also established new records. In ounces produced, the gold mining industry did not reach the output of its maximum year 1932, but it showed a small

increase over 1933 and at current world prices, averaging \$34.50 per fine ounce in 1934 against \$28.60 in 1933, the value of its product exceeded \$102,000,000, a new high record. The figures so far available for February show substantial increases over February of last year for copper and nickel exports and the production of gold, zinc and asbestos.

In the forestry group of industries activity during 1934 was greater than in any year since 1930. Lumber production in British Columbia exceeded two thousand million board feet, representing an increase of 26 and 42 per cent as compared with 1933 and 1932 respectively. The bureau's index for employment in the logging industry was 87.5 per cent higher than in 1933. The increase in lumbering activity was reflected in an active export trade in planks and boards, the export movement being greater than in any year since 1930 and exceeding 1933 by over 34 per cent. The important newsprint industry regained in 1934 a level of activity exceeded only by that of 1929 but distressingly low prices and surplus plant capacity still leave this industry in an unsatisfactory condition.

The output of electric power in 1934 was the highest ever recorded in this country. Kilowatt hours produced registered a gain of 20.6 per cent over 1933 and one of 17 per cent over 1930, the previous maximum year. The expansion in this industry reflects increasing industrial activity but it is also in part due to the increased use of electrical appliances or processes in home and factory and the increasing sales of secondary power for steam production.

Appreciable gains were also shown by our transportation statistics which are among the more significant measures of general business improvement. In 1934, total freight cars loaded were 14.4 per cent in excess of 1933, and for the first nine weeks of 1935 the increase over the corresponding period in 1934 was approximately 6 per cent, despite the lessened movement of grain. The gain in gross operating revenues of the Canadian National for 1934 was 11 per cent while the Canadian Pacific reported an increase of 10.2 per cent over the preceding year.

When we come to agriculture, we also find substantial improvement. The wheat crop was only slightly above that of 1933 but the average cash price of No. 1 Northern at Winnipeg was 81 cents per bushel from August to December, 1934, compared with 65.1 cents in the corresponding period of 1933, and consequently the value of the crop was over 33 per cent greater. According to the esti-

mates of the bureau of statistics the value of all field crops produced in 1934 was \$544,975,000, a gain of \$91,377,000 over the preceding year. For our live stock industry one of the most reassuring developments in recent years has been the revival in the last few weeks of the export of Canadian cattle to the United States. After being practically excluded from that market by the Hawley-Smoot tariff of 1930, and the very low prices prevailing in that country during 1933 and 1934, our cattle are once more on an export basis due to the recent sharp increase of prices in United States markets, and shipments during the three weeks ended March 15 were approximately double the total for the entire year 1934. This welcome development does not appear to be merely a temporary one, in view of the drastic reduction in the number of live stock in the United States resulting from last season's drought and feed shortage.

However, it must be admitted that conditions in agriculture still leave much to be desired. It is for this reason that so much of the legislation sponsored by this government during the last two or three years has been devoted to improving the condition of the farmer. I refer particularly to the Natural Products Marketing Act, the Farmers' Creditors Arrangement Act and the various amendments to the Canadian Farm Loan Act designed to provide agricultural credit at low rates, and also to the assistance given by way of guarantee to prevent demoralization in wheat prices.

The unsatisfactory conditions in agriculture and certain other primary industries are in the main due to the low level of international trade resulting from the spread throughout the world of exaggerated economic nationalism, excessive interferences with trade through quotas and exchange controls, and fluctuating currencies. In these circumstances it was inevitable that those countries which chiefly produce primary products—which must depend in large part upon world markets for their sale—were bound to be adversely affected by these world-wide conditions.

At a later stage I will discuss in some detail the statistics regarding our export and import trade. But before doing so it is well to call to mind the forces and policies which govern international trade to-day and their operation and application in every leading country in the world. In a word, it is idle to expound theories and futile to expatiate

on the obvious desirability of greater freedom of trade. We are confronted with realities—in other words, we must face facts.

In 1930, when this government came into office, tariffs were higher against the products of Canada in the markets of the world than at any previous time in our history. In many countries throughout the world new and higher barriers had been erected against Canadian exports. In June, 1930, the Hawley-Smoot tariff had come into operation in the United States, increasing to practically prohibitive levels the duties on many of our leading products and imposing duties on other Canadian goods which had formerly been free of duty. In Europe, which provides the outlet for most of our wheat, drastic measures had been enacted to protect domestic producers from the effect of the marked fall in prices. The milling quota, the most effective device which could be employed in keeping out our product, was first introduced in Germany in July, 1929, and was subsequently adopted in France, Italy and many other countries which heretofore had afforded our best markets. Coincident with the introduction of this device the duties on wheat were increased to levels considerably in excess of the world price of this commodity.

With the wave of economic nationalism spreading throughout the world we accepted the logic of the situation and directed our efforts towards expanding our markets in those countries associated with us by special ties. Within a few weeks of assuming office the Prime Minister in the autumn of 1930 at the imperial conference strongly advocated the adoption of a policy of reciprocal preferential tariffs within the empire, and this policy was ultimately adopted at the conference which met in Ottawa in response to his invitation in 1932. The trade agreement concluded with the United Kingdom at the Ottawa conference gave Canadian primary products a privileged position in the world's greatest and most stable market, and also embraced larger preferences in the vast colonial empire which have been of great value to our trade in automobiles and other manufactured goods.

Other agreements were concluded at this conference with the Irish Free State, the Union of South Africa and Southern Rhodesia. Prior to the conference, trade agreements had been negotiated by the Canadian government with Australia and New Zealand, both of which have had very beneficial effects on our trade. There can be little doubt that this series of agreements with empire countries

has been of vast assistance in enabling Canada successfully to weather the storm of the present depression. Upon reflection one can readily discern what would have been the dire effects upon our trade without these agreements during a period when other countries were progressively closing their markets to imported goods.

In 1933, at the world economic conference the delegates from Canada strongly advocated the general adoption of a policy of removing the excessive restrictions which were strangling world trade, and the responsibility for the failure to adopt it must rest elsewhere. Since that time we have been carrying on negotiations with various individual countries some of which have been completed, others are still in progress. During the last few days you have been made acquainted with the comprehensive trade agreement which has been concluded with France and which, it may be said, for the first time places our trade relations with that country on an entirely satisfactory basis. Negotiations have been practically completed with Poland for a treaty which will enable Canadian trade to be carried on satisfactorily with that growingly important country from which, in the absence of a treaty, our products have been hitherto almost entirely excluded.

During recent months, an opportunity has presented itself for the first time since this government assumed office to enter into negotiations with a view to effecting a trade agreement with the United States of America.

In June last, the United States congress passed an act which empowered the president to enter into trade agreements with foreign countries, and where necessary or appropriate to carry out the terms of an agreement to proclaim decreases to an amount not greater than 50 per cent in existing duties without the necessity of ratification by congress.

Pursuant to the provisions of this act, the Secretary of State on January 21 last gave formal notice of his intention to negotiate a treaty with Canada. In conformity with the terms of the act, the dates of March 11 and March 18, respectively, were fixed for the reception of written and oral representations with respect thereto by a committee appointed by the president for this purpose.

These negotiations will be actively prosecuted by the government of Canada, and every possible step is being, and will be taken with the object in mind of effecting a satisfactory trade agreement, having for its aim the lowering of trade barriers with consequent increased flow of trade resulting in mutual advantage.

It may also be added that negotiations are now in progress with the representatives in Canada of two other important countries, looking toward an agreement which will mean wider markets for some of our chief primary products.

This brief outline of trade and tariff developments would be incomplete—especially as indicating the purpose of the government to stimulate trade—without summarizing our accomplishment during a period when trade barriers have been higher and more difficult to surmount or remove than at any time in world history. We have not only maintained the trade agreements which were in effect when we assumed office, but we have also greatly improved our position by making the following additional agreements, several of which are of major importance:

1. A comprehensive preferential agreement with the United Kingdom embracing within its terms the colonial empire as well.

2. A new and enlarged agreement with Australia.

3. For the first time, formal agreements with New Zealand, South Africa, Southern Rhodesia, and the Irish Free State.

4. A trade treaty of broad scope with France, which, for the first time, is mutually binding and mutually satisfactory, in place of one which involved the granting of fixed rates by Canada without corresponding obligations by France and which did not give us the French minimum tariff on all our leading exports to that country.

5. A commercial arrangement securing most favoured nation treatment from Germany, a country with whom our trade relations had long been unsatisfactory.

6. An arrangement securing most favoured nation treatment from Austria.

7. An arrangement whereby we obtained most favoured nation treatment from Brazil.

8. A comprehensive agreement with Poland now ready for signature.

In addition, we have entered into negotiations for trade agreements with the United States of America and with two other important European countries.

This record of accomplishment speaks for itself.

Reference has been made to the expansion which has occurred in most of the major branches of economic activity. It is pertinent to ask what has been the effect of this business expansion upon the absorption of unemployment, the most pressing social and governmental problem of the depression years.

A much higher level of employment was maintained in 1934 than in the preceding year, a gain of 15.1 per cent being registered by the bureau's index of employment. On February 1st this index stood at 99.9 a rise of 3.5 per cent from February 1, 1934, and of 25.8 from April 1, 1933. Based on reports from 8,992 employers, the bureau of statistics estimates that the total increase in employment in Canada during the past year was at least 65,000 persons, and since April 1, 1933, the low point in employment, no less than 340,000 persons. Advance reports for March 1st show a substantial further improvement in the employment situation. Despite this increase in employment, the number remaining on the relief rolls is still large. For February, the latest month for which the information is available, the number of families on relief was 259,918, which represents a decrease of 23,756 families from the same month of last year and a decrease of 25,921 families from March, 1933. The total number of individuals on relief, including dependents, was 1,229,935 in February which is a decrease of 117,285 from February of last year, and of 265,031 from March, 1933. These numbers should be substantially further reduced during the next few months as a result of the public works construction program undertaken by the government which is to be augmented by legislation to be introduced later in the session.

In the budget a year ago were reviewed the steps which the government had taken to foster a rise in commodity prices and promote a lowering of interest rates. These efforts have been continued but because of obvious international factors the movement towards rising price levels has made comparatively slight progress during the past year. In Canada fluctuations in wholesale prices during 1934 were of minor importance. The index, it is true, averaged 6.7 per cent higher than during 1933 but it did not at any time move far from the line of 72 per cent of the 1926 average and on March 1, 1935, stood at 72.3 as compared with 72.2 on March 1, 1934. But while the index as a whole remained comparatively stable, a most reassuring development occurred in the form of a considerable correction of some of the disparities which the drastic fall of prices had created and which constitute the most serious aspects of a depression. Thus during the year ended March 1, the wholesale prices of Canadian farm products rose by no less than 8.6 per cent, as contrasted with practically no increase at all in the general index. Similarly the prices of raw and partly manufactured goods increased 3.7 per cent while those of fully and chiefly manufactured products showed no change. The correction of

such maladjustments between the various types of prices is one of the most significant measures of the progress of economic recovery.

Interest is one of the rigid factors in our price structure, and as the burden of interest charges still constitutes a pressing problem for most public bodies and many private individuals, it is gratifying to record the rather striking success which has attended the comprehensive program sponsored by the government to bring down interest rates to a level more in line with other prices and with our present productive capacity.

The various steps in this program are a matter of record. With our encouragement, the rate paid on savings deposits by banks and other financial institutions, which is the basic rate in our interest rate system, has been lowered in two or more successive stages to a minimum of 2 per cent. Huge conversion operations have been undertaken to refund outstanding dominion direct and guaranteed loans on a lower interest basis, as such loans matured or became callable. In the last five years this government has converted over \$1,100,000,000 of public debt with an attendant saving in fixed charges of over \$14,600,000 per year. During the present year, if market conditions continue favourable, we expect to effect further substantial economies through the same process. In this connection it is of interest to note that if we assume that the total dominion and Canadian National Railway obligations which become due or callable before the end of 1937 could be refunded at approximately the present level of interest rates, the total saving in interest plus the increase in income tax due to the elimination of our remaining tax-free bonds, as nearly as can be estimated, would relieve the dominion exchequer of not less than 16 million dollars per year.

A beginning has been made in improving the organization of the short-term money market in Canada and we are hoping that a further substantial contribution to this end may be made by the Bank of Canada. Short-term money rates have been somewhat out of line with long-term rates in this country and their abnormally high level has been a factor retarding the trend to lower long-term rates. We have also so administered the inadequate machinery of the Finance Act and so used the resources provided by the Dominion Notes Act amendment last year as to contribute to greater monetary ease and prevent a tendency towards deflation and the consequent strain that would probably otherwise have prevailed. Finally, and perhaps of most importance, we have striven under great difficulties to press forward

towards budgetary balance with all reasonable speed, and to deal with our finances generally in such manner as to deserve the high credit standing which alone justifies and secures low interest rates.

That our efforts have been successful is amply confirmed by the rise in high grade bond prices and by the high prices at which our obligations are currently selling in the investment markets. During 1934 the bureau's index of interest rates fell 21.6 per cent. The bid quotation for the dominion government $4\frac{1}{2}$ per cent bond due in 1959 rose from 99.37 at the beginning of the year to 110.75 at the close. Perhaps the best indication of the improvement is to be found in the fact that in December last we were able to sell a 16 year 3 per cent guaranteed Canadian National Railways bond in the amount of \$20,500,000 on a basis to yield the public 3.02 per cent. Such a rate has never before been attained in this country.

This improvement in the yield on dominion bonds has been reflected in more or less similar advances in provincial, municipal and corporate bonds, depending on the credit of the particular borrower. This is characteristic of the rise of security prices in all periods of revival; recovery comes first in the prices of bonds of the highest grade, and then spreads out gradually to the second and other grades of securities. Last fall some of the eastern provinces were able to borrow on exceptionally favourable terms and two of the western provinces succeeded in selling moderate-sized issues on a yield basis to the public of 4.36 and 4.20 per cent, respectively. It appeared that the time was fast approaching where practically all public bodies could secure the advantages of refunding outstanding issues at substantially lower interest rates, but a temporary clogging of the market and certain unfortunate, widely heralded statements have clouded the outlook for the time being. It is to be hoped that this situation is only a temporary one but it behooves all debtors to remember that credit is a tender plant and must be carefully cultivated.

Some of the provinces and many municipalities, have not yet been able to take advantage of the facilities now offered for refunding existing obligations at substantially lower rates but, provided that nothing untoward is done to affect adversely the credit of the particular borrower or the state of the general market, it should not be long before the present low interest rates can be made available to all worthy borrowers. It is recognized that for the time being the burden of fixed charges on outstanding debt incurred at relatively high rates in past years when

borrowing was undertaken in some cases too optimistically, presses heavily on the financial resources of the public bodies concerned, especially when regard is had to the expenditures which have to be made for unemployment relief. This general problem has received the most careful consideration of the government and, as will be disclosed by our accounts which will be reviewed a little later, the dominion has come to the financial assistance of several of the provinces and indirectly through them of several municipalities, to the extent of approximately 75 million dollars.

From time to time suggestions have been made looking to elaborate programs for refunding the outstanding debt of all public bodies. These have all received detailed study and will continue to receive our attention. In the budget last year, I discussed some of the difficulties involved, including the technical difficulties resulting from the form in which most of our financing was done in the war and post-war years and the more important difficulty arising out of the fact that so large a proportion of our obligations is held by external investors. It may be taken for granted that neither this house nor the Canadian people would be willing to consider any program that involves any measure of repudiation. Consideration therefore has been given to the possibility of enabling the provinces to refund their floating debts by giving a dominion guarantee to new refunding issues. It will be recognized that such guarantees would imply adequate control over future provincial borrowing and the factors that might make such borrowing necessary. It is doubtful whether the provinces would be willing to meet the only conditions under which this type of solution would be practicable and sound, both in the interests of the dominion and the provinces themselves. This same type of consideration arises also in connection with the proposal to establish a loan council in Canada, somewhat along the lines of the Australian model. The wisdom of securing some such type of control as a loan council could give has long been recognized, if the financial mistakes of the post-war period are to be prevented in future; but whether the rigid type of control implied by a loan council or the more flexible and gradually evolving influence which the Bank of Canada may exert through making competent and disinterested advice available to public bodies is a question upon which opinions may well differ.

It will be recalled that last summer the Prime Minister issued an invitation for a dominion-provincial conference to be held

before the close of the year. On the agenda of this proposed conference was placed amongst other matters the problem of the financial relations of the provinces and the dominion, including the consideration of a possible re-allocation of tax sources as between the two jurisdictions and the practicability of various methods of cooperation in tax administration. It was not found possible for all provincial premiers to agree to a date for the holding of such a conference prior to the assembling of this parliament and the proposal had to be allowed to drop for the time being. It is unfortunate that it was necessary to postpone joint consideration of these and other similar important matters.

In the field of agriculture it was widely recognized that existing debts were in many cases clearly beyond the capacity of farmers to pay, even assuming reasonable improvement in business and commodity prices. It was the part of wisdom, therefore, to provide simple and inexpensive machinery whereby the liquidation of farm debts might be effected with due regard to the rights of debtor and creditors in each individual case and, so far as possible, by the process of negotiation and compromise. That machinery was provided by the Farmers' Creditors Arrangement Act and its success after only a few months of trial is now a matter of record. In numerous cases farmers have had their debt structures simplified and their fixed charges reduced to a point within the capacity of the farm enterprise to pay. From the national point of view, the benefit of restoring their confidence and enabling them to remain on the land as willing and efficient producers is difficult to exaggerate. Admirably supplementing this act is the new Canadian farm loan legislation which provides for releasing to agriculture ample government funds at the cost to the government plus the expense of administration. Changes in the organization of the farm loan board will make it possible to bring these funds to efficient farmers in all provinces with a minimum of red-tape and a maximum of expedition.

The benefit of these steps which have been taken to reduce interest rates is not confined to the lessened burden of fixed charges to public bodies and private borrowers. Perhaps a more important advantage will accrue from the powerful stimulus which lower interest rates exert on business recovery. It is generally agreed that in the United Kingdom the recovery which has taken place traces its origin in large part to the creation of a condition of cheap and abundant

money. Lower interest costs affect profits directly and make possible expansion of plant and equipment that would otherwise have been impossible because unprofitable. Low yields on high grade bonds force financial institutions and individual investors to seek out the larger returns that come from corporate securities and from mortgages. Already in Canada there are evidences that more and cheaper money is becoming available for mortgage purposes. This augurs well for further revival of the construction industry in which activity has been abnormally depressed and unemployment serious.

In the banking field the feature of the year has been the establishment of the Bank of Canada which began operations on March 11. The management which has been provided for this new institution commands, I am certain, the entire confidence of the Canadian people. The bank begins business with the goodwill and the support of the public as well as with the cooperation of the chartered banks with which it will have largely to deal. It may not be able to work the miracles which are expected from it in certain quarters but I am confident that in the coming years its contribution to the economic welfare of this dominion will be an important one. It will provide, what has long been needed, an undivided control, solely in the public interest, of the volume of currency and credit in use. It will, it is hoped, contribute to greater stability in our economic life, so far as this may be possible by the use of monetary methods. It will provide leadership for the first time to the financial community and assist in several ways in improving the organization and working of our whole financial system. I also expect much from the disinterested and competent advice on financial matters which it should be able to give, not only to the dominion government but also to provincial governments which may have found it difficult to keep closely in touch with conditions in the world's financial markets and which may in future avail themselves of the bank's services.

The bank will also provide an effective mechanism by which Canada may at the appropriate time execute such national policies as may be determined upon in regard to our future monetary standard. I have already referred to the retarding effect upon international trade of the chaotic condition of the world's basic currencies. For Canada, so heavily interested as she is in foreign trade and with such huge obligations payable abroad, this monetary instability is a factor

of major importance. For a time last year it appeared that an approach to stability was gradually being achieved and that the working of economic forces was beginning to reveal the natural rates of equilibrium between certain countries which would make de facto stabilization possible. Recent events, however, indicate upon how slender a thread hangs the integrity of certain currencies, and suggest the possibility of a period of renewed fluctuations with consequent disturbances to trade and finance.

This is but one of the international factors which must be taken into consideration if we wish adequately to appraise the outlook for the coming year. The brief review given of economic developments in Canada during the past year would seem to justify a substantial degree of optimism as to the immediate future. That would be the case if we could consider solely our own position. But in these days nations do not live unto themselves alone, perhaps least of all, Canada! And no one can look out upon the world to-day without recognizing the political frictions that exist, the apparent beginning of a new armament race among the nations, the social and economic tensions that persist in many countries, the financial and exchange uncertainties, the obstinate adherence to extreme policies of economic nationalism, and the general absence of confidence, mutual trust, goodwill and the cooperative spirit upon which alone the needed international solutions of our common problems can be based.

As long as these adverse influences continue in the international field, they must be taken into our reckoning. We in Canada have long

since passed the low point of the depression. We have been making splendid progress and that progress should continue—rapidly if world conditions favor, less rapidly if they impede. We have important continuing problems still to solve—the railway deficit, unbalanced budgets, unemployment—but these will be solved at the same pace as we succeed in restoring normal business conditions. We have moreover the more fundamental problem of adjusting our economic system to enable it to function with greater stability and with a greater measure of social justice. To this problem and its solution the government has devoted itself.

TRADE OF CANADA

The expansion of our external trade has continued on an accelerated scale. In the previous fiscal year the total of imports and exports showed a gain of 15 per cent over the year before. In the eleven months' period ended February 28th last, the rate of increase was 18 per cent over the corresponding period of 1933-34. The actual increase was \$168,000,000 and the total volume was the best since 1931. Imports expanded at a rate of 23 per cent over the previous year, and exports by 15 per cent. In the earlier stages of trade recovery exports were increasing faster than imports.

World statistics show that in 1934 Canada again occupied fifth place in export trade, and stood ninth in imports and eighth in total international trade.

A statement of the total trade for the eleven months ended February 28th, with comparative figures, follows:

Trade of Canada (excluding gold coin and bullion) (000 omitted)

	Eleven months ended		Increase
	February 28, 1934	February 28, 1935	
Imports..	\$ 386,279	\$ 474,240	\$ 87,961
Exports—			
Canadian produce..	521,706	601,376	79,670
Foreign produce..	5,585	6,731	1,146
	<u>\$ 913,570</u>	<u>\$ 1,082,347</u>	<u>\$ 168,777</u>

For the fourth successive year Canada's exports have exceeded imports, the favourable balance in the eleven months' period being nearly \$134,000,000. This figure is for merchandise only and does not include the export of current gold production which adds a further

\$100,000,000 annually to credits available in external markets for the liquidation of interest due abroad and other debit items in international settlements.

The following statement shows the balance of trade in merchandise for the past six years:

Trade of Canada
(excluding gold coin and bullion)
(000 omitted)

Eleven months ended—	Imports	Exports	Balance
February 28, 1930..	\$1,135,248	\$1,053,246	\$ (—) 82,002
February 28, 1931..	831,232	760,733	(—) 70,499
February 28, 1932..	521,056	546,547	(+) 25,491
February 28, 1933..	373,421	443,553	(+) 70,132
February 28, 1934..	386,279	527,291	(+) 141,012
February 28, 1935..	474,240	608,107	(+) 133,867

The effective operation of the empire trade agreements is reflected in the statistics of intra-empire trade. In the ten months ended January 31st, the latest date to which figures of trade by countries are compiled, exports to the United Kingdom, our largest market, recorded an increase of nearly 22 per cent. For all empire countries the increase was 24 per cent. Exports to Australia showed a gain of 52 per cent, to New Zealand, 72 per cent, to British India, 21 per cent, and to South Africa, 76 per cent.

On the other hand, exports to foreign countries increased by only 6 per cent. Exports to all countries increased by nearly \$71,000,000 in the ten months' period, and of this amount, \$56,000,000 or 79 per cent was accounted for in increased exports to empire countries.

Since 1932, the year of the imperial conference, the value of our export trade to the United Kingdom has increased by 52 per cent.

This gain has been a material factor in improving conditions in a wide variety of Canadian industries. In 1934 the exports of agricultural products exceeded those of 1932 by \$16,600,000; in animals and animal products, the advance was \$24,000,000; in wood products, chiefly lumber, it was \$14,500,000, and in non-ferrous metals and their products, including copper, lead, nickel and zinc, the gain was \$31,000,000.

Imports from the United Kingdom have increased in the last ten months by \$8,000,000, or 9 per cent. In 1934 they exceeded those of 1932 by 21 per cent. The main increases in imports were in textiles, iron products and chemicals. Imports from other empire countries increased in the ten months' period as follows: Australia, 19 per cent; New Zealand, 22 per cent; and British India, 31 per cent.

Figures showing the trade with the empire in the last ten months are as follows:

Intra-Empire Trade of Canada
(excluding gold coin and bullion)

	Ten months ended	
	January 31, 1934	January 31, 1935
Imports from United Kingdom..	\$ 87,114,091	\$ 95,292,201
Exports to United Kingdom..	191,277,804	232,987,396
Imports from British Empire..	116,599,414	134,246,466
Exports to British Empire..	231,648,330	287,587,697

Empire countries are supplying a little over 30 per cent of our purchases abroad. At the same time, they absorb over one-half of our exports.

A statement, by percentages, showing the distribution of import and export trade, excluding gold coin and bullion, follows:

Percentage Distribution of Trade of Canada
(excluding gold coin and bullion)

	Imports		Exports	
	Ten months ended January 31	Ten months ended January 31	Ten months ended January 31	Ten months ended January 31
	1934	1935	1934	1935
	%	%	%	%
United Kingdom..	24.70	21.80	39.53	42.01
British Empire..	33.06	30.71	47.87	51.85
United States..	53.73	56.91	33.04	33.74
Other Countries..	13.21	12.38	19.09	14.41

Despite many unfavourable influences, further progress has been made in the restoration of world trade from the disastrously low levels to which it had fallen. Canada has been in the forefront of the leading countries

of the world ranked according to the rate of improvement, thus testifying to the effectiveness of our trade agreements and the initiative and enterprise of those engaged in industry and trade. The improvement which has taken

place in this, as well as in the other fields of activity to which reference has been made, has had a favourable influence upon the dominion's financial statement, which will now be reviewed.

REVENUES 1934-35

As the current fiscal year has still some days to run and more than a month will elapse before the Dominion accounts are closed for the year, it will be understood that the figures now to be presented, both as to the year's revenues and expenditures, are to some extent estimated. Judging by past experience, however they may not be expected to vary materially from the final result.

For the first time since 1930, receipts from taxation will yield the expected return. When presenting the budget last year, the outlook for a greater volume of business was so promising that substantially increased yields from current rates of taxation were forecast. Notwithstanding some loss in revenue due to changes made in taxation measures when the budget was before parliament, the receipts from taxation will amount to \$306,050,000, almost the identical figure estimated in the previous budget. This is an increase of \$34,200,000 over the previous year and is all the more satisfactory in the light of the substantial reductions in taxation effected last year, particularly the fifty per cent cut in the sugar tax and in the special excise tax on imports under the British preferential tariff which, together, involved a loss in revenue of not less than \$10,000,000. It is noteworthy that every month in the year showed an increase over the corresponding month of the previous year and the rate of improvement has been maintained throughout the year.

Customs

Reflecting the continued, even though

moderate, expansion in international trade, customs import duties will yield \$77,300,000, an increase of \$11,000,000 over the previous year. Excise duties, imposed chiefly on liquors and tobaccos, will amount to \$44,600,000 exceeding the collections of 1933-34 by \$9,000,000.

The income tax, the rates of which were not altered last year, will bring in a total of \$65,600,000, the highest figure for four years, and \$4,200,000 in excess of the previous year's collections. To the extent of about \$3,100,000 this increase is due to credits transferred from the gold tax at the end of the fiscal year to be applied, in accordance with the statute, against the income tax liability of gold mining companies. This amount can be regarded as in the nature of a prepayment of income tax.

With the adjustments that have been made from time to time in the scale of taxation, the income tax has been one of the steady sources of income in the past four years, notwithstanding fluctuations in the general level of incomes and profits.

Upwards of \$11,000,000 more than in the previous year will be obtained from the sales tax, the yield from which will be \$72,600,000. The other special excise taxes will bring \$39,800,000, a decline of \$5,300,000 from the year before due to the reductions in taxes already referred to.

The gross collection from the gold tax to the end of the fiscal year will be \$7,084,000. It is estimated that \$3,100,000 of this amount will be applied as a credit on the income tax payable by the several mining companies subject to the tax. This will reduce the net return for the year from the gold tax to \$3,984,000.

The following table sets out the yield from taxes for the past five years:

Taxation Revenue
(000 omitted)

	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Customs Import Duties.....	131,209	104,133	70,073	66,305	77,300
Excise Duties.....	57,747	48,655	37,834	35,494	44,640
War Tax Revenues—					
Banks.....	1,429	1,390	1,328	1,336	1,386
Insurance Companies.....	74	12	826	742	740
Delayed Business Profits.....	34	3			
Income Tax.....	71,048	61,255	62,067	61,399	65,600
Sales Tax.....	20,784	41,734	56,814	61,392	72,600
Manufacturers', importation, stamp, transportation taxes, etc.....	13,951	17,872	25,377	45,184	39,800
Tax on Gold.....					3,984
Total receipts from Taxation.....	296,276	275,054	254,319	271,852	306,050

Non-Tax Revenues

Revenues derived from the various departmental services of government, will amount to \$53,300,000, an increase of \$1,100,000 over the previous year. The main items under this heading are interest on investments, which is expected to amount to \$11,400,000 (some \$260,000 in excess of the amount from the same source the year before), and Post Office revenues which will be \$31,184,000 (an increase of almost \$300,000 over the previous year. On reference to the expenditure statement, it will be found that the operations of the Post Office were conducted with-

out any increase in cost, in fact, there was a slight reduction from the previous year the expenditure being \$30,528,000. The surplus on Post Office operations will therefore be over \$600,000 as compared with one-half that figure a year ago. The accounts of the Post Office do not, of course, take into consideration the rental value and other costs of premises occupied. On the other hand, no credit is given the Post Office for services rendered other departments through the free use of the mails.

A statement of non-tax revenues for the past five years follows:

Non-Tax Revenues

	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Canada Grain Act.....	2,179,047	1,484,826	1,444,840	1,235,621	1,271,000
Canada Gazette.....	71,197	73,590	73,836	55,722	48,000
Canals.....	1,026,671	976,845	831,020	877,630	858,000
Casual.....	3,210,394	3,757,821	3,192,144	3,613,157	3,569,000
Chinese Revenue.....	21,996	10,059	8,652	6,237	7,000
Dominion Lands.....	1,655,401	485,364	458,934	418,729	499,000
Electricity.....	632,151	402,189	298,352	440,290	465,000
Fines and Forfeitures.....	433,716	233,512	212,075	177,812	93,000
Fisheries.....	73,937	40,519	4,429	39,508	41,000
Gas Inspection.....	94,255	81,359	84,078	76,186	91,000
Insurance Inspection.....	148,942	149,902	160,298	148,535	139,000
Interest on Investments.....	10,421,224	9,330,125	11,220,989	11,148,232	11,410,000
Marine.....	199,000	191,905	178,118	207,532	204,000
Mariners' Fund.....	201,768	184,485	179,461	188,054	188,000
Military College.....	19,882	20,045	20,116	20,317	20,000
Military Pensions Revenue.....	159,000	163,229	166,414	165,207	164,000
Ordnance Lands.....	29,384	14,250	16,677	17,855	15,000
Patent and Copyright Fees.....	559,646	525,248	539,341	429,341	352,000
Penitentiaries.....	183,288	166,111	121,426	97,962	63,000
Post Office.....	30,212,326	32,234,946	30,928,317	30,893,157	31,184,000
Premium, Discount and Exchange.....	501,610	.....	145,938	.....	500,000
Public Works.....	362,391	280,591	212,829	249,721	244,000
Radio Licences.....	468,093	528,924	1,414,132	1,291,455	1,488,000
R.C.M.P. Officers' Pensions.....	6,357	14,787	12,050	12,444	9,000
Weights and Measures.....	419,750	406,529	394,222	399,717	402,000
	53,291,426	51,757,161	52,318,688	52,210,451	53,324,000

Special Receipts

There has been received by way of transfer from the custodian of enemy property, the sum of \$3,000,000. With this addition, the

revenue from all sources will amount to \$362,370,000, as compared with \$324,480,000 in 1933-34, an increase of \$37,890,000.

The aggregate revenues for the five-year period are shown in the following tabulation:

Summary of all Revenues
(000 omitted)

	1930-31	1931-32	1932-33	1933-34	Esti- mated 1934-35
	\$	\$	\$	\$	\$
Receipts from taxation....	296,276	275,054	254,319	271,852	306,050
Non-tax revenues.....	53,291	51,757	52,318	52,210	53,324
Consolidated fund receipts	349,567	326,811	306,637	324,062	359,374
Special receipts.....	6,622	7,028	4,493	418	3,000
Grand Total..	356,189	333,839	311,130	324,480	362,374

EXPENDITURES 1934-35

Ordinary Expenditures

The ordinary expenditures for the year, it is estimated, will be \$356,600,000, which is approximately \$2,200,000 lower than the amounts authorized by vote and statute. While there is an increase of \$10,000,000 over the figure of the year before, it is \$26,000,000 below the ordinary expenditure in the year 1930-31. The increase has not resulted from any general expansion in departmental activities but rather is accounted for, in the main, by increases in several of the uncontrollable expenditures and by provision made for some new services. The largest single item of increase is for Old Age Pensions which will require \$2,600,000 over the figure of the previous year. The expenses of the dominion franchise commissioner in connection with the

registration of voters and preparation of the election lists, will involve a new expenditure of \$1,560,000. An increase of \$1,500,000 under the Department of Railways and Canals is made up, in part, of the special vote of \$500,000 for the railway grade crossing fund, \$100,000 for the encouragement of tourist traffic and \$785,000 being the dominion's contribution towards the cost of a subway tunnel under the Lachine Canal in the city of Montreal. Under the Department of Pensions and National Health an additional expenditure of \$500,000 has been required for war veterans' allowances. In addition, there has been absorbed, as new services, the cost of administration of the Farmers' Creditors Arrangement Act and the Natural Products Marketing Act.

A statement of ordinary expenditures for the last five years follows:

Statement by Departments of Expenditure for the Last Five Fiscal Years

(000 omitted)

Ordinary Account	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Agriculture.....	10,119	10,212	8,066	6,996	7,273
Auditor General's Office.....	416	436	380	376	378
Civil Service Commission.....	343	306	244	221	225
External Affairs, including Office of the Prime Minister.....	928	994	863	974	1,481
Finance—					
Interest on Public Debt.....	121,290	121,151	134,999	139,725	138,529
Premium, Discount and Exchange (net).....		728		167	
Subsidies to Provinces.....	17,436	13,695	13,677	13,728	13,769
Special Grants to Maritime Provinces....	1,600	1,600	1,600	1,600	1,600
Other Grants and Contributions.....	778	536	499	398	471
Civil Pensions and Superannuation.....	1,476	1,405	1,075	1,009	953
General Expenditure.....	1,794	1,845	2,046	3,148	3,945
Fisheries.....	2,435	2,046	1,787	1,596	1,662
Governor General's Secretary's Office.....	142	148	136	136	132
Immigration and Colonization.....	2,583	2,200	1,689	1,369	1,297
Indian Affairs.....	6,069	5,081	4,499	4,380	4,340
Insurance.....	178	180	161	152	165
Interior.....	8,104	4,647	3,454	2,833	2,837
Justice.....	2,538	2,560	2,458	2,435	2,766
Penitentiaries.....	3,237	2,737	2,870	2,677	2,748
Labour.....	797	633	605	560	586
Technical Education.....	391	283	202	129	150
Old Age Pensions.....	5,658	10,032	11,513	12,314	14,900
Legislation—					
House of Commons.....	1,721	1,982	2,210	986	1,803
Library of Parliament.....	76	81	65	69	71
Senate.....	568	650	747	286	495
General.....	65	79	81	62	95
Dominion Franchise Office.....					1,560
Chief Electoral Officer, including elections	2,256	145	56	32	135

Statement by Departments of Expenditure for the Last Five Fiscal Years—*Concluded*
(000 omitted)

Ordinary Account	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Marine.....	8,030	7,262	5,801	5,439	5,911
Canadian Radio Broadcasting Commission.....			149	1,025	1,252
Mines and Geological Survey.....	1,420	1,264	1,048	909	1,009
Movements of coal and Dominion Fuel Act.....	514	721	1,220	2,772	2,450
National Defence—					
Militia Service.....	10,953	9,700	8,719	8,774	9,335
Naval Service.....	3,598	3,043	2,167	2,171	2,222
Air Service.....	7,147	4,040	1,731	1,685	2,262
Sundry Services.....	1,928	1,347	1,078	791	371
National Revenue (including Income Tax). Pensions and National Health—	13,972	13,920	10,846	10,354	10,264
Treatment and after-care of returned soldiers.....	9,774	11,154	10,066	9,124	9,687
Pension, war and military.....	45,541	48,249	45,079	43,883	43,638
Health Division.....	1,342	1,246	924	802	817
Post Office.....	37,892	36,052	31,607	30,554	30,528
Privy Council.....	54	53	47	49	46
Public Archives.....	212	212	174	157	210
Public Printing and Stationery.....	295	289	231	172	388
Public Works.....	25,453	17,648	13,108	10,827	10,106
Railways and Canals.....	4,479	3,997	3,667	3,315	4,864
Maritime Freight Rates Act.....	3,615	2,555	1,921	1,989	2,573
Royal Canadian Mounted Police.....	3,192	3,488	5,626	5,315	6,000
Secretary of State.....	479	483	418	387	385
Soldier Settlement Board.....	1,300	1,036	818	810	766
Trade and Commerce—					
Department.....	4,955	6,417	3,277	3,007	3,197
Mail subsidies and steamship subventions	1,323	2,999	2,081	2,221	2,280
Canada Grain Act.....	2,356	2,306	2,026	1,759	1,711
Total ordinary expenditure.....	382,827	365,873	349,811	346,649	356,638

Capital Expenditures

Under capital expenditures, the chief item amounting to \$4,900,000 is for dredging the river St. Lawrence ship channel. Comparatively small amounts have been required for the Welland ship canal and towards completion of the Hudson Bay railway and

terminals. The total for the year will be \$7,100,000, an increase of \$600,000 over the expenditure of the previous year. The estimates provided for an expenditure on capital account of \$7,246,000.

A comparative statement of capital expenditure over the five year period follows:

Capital Expenditures (000 omitted)

	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Canals.....	9,842	3,299	3,027	1,975	317
Railways.....	6,371	6,242	1,503	737	530
Public Works.....	12,009	7,439	4,018	3,778	6,289
Total capital expenditure.....	28,222	16,980	8,548	6,490	7,136

Special Expenditures

Special expenditures will total \$66,100,000, of which \$60,400,000 represents payments in the fiscal year for unemployment relief measures. This amount is much greater than in any previous year as will be seen from the following statement of expenditures for unemployment relief since 1930-31:

1930-31.....	\$ 4,432,000
1931-32.....	38,295,000
1932-33.....	36,721,000
1933-34.....	35,898,000
1934-35.....	60,448,000
Total.....	\$175,794,000

The estimated expenditure in the present fiscal year has been made for the following purposes:

Direct relief.....	\$33,500,000
Dominion contribution to provincial and municipal works and undertakings.....	5,110,000
Public Works Construction Act, 1934.....	8,500,000
Dominion contribution to relief in Saskatchewan drought area..	5,000,000
Other expenditures, including dominion projects, camps for single homeless unemployed men, etc..	8,338,000
Total.....	\$60,448,000

The disbursements for direct relief have been much greater than the actual expense incurred in the fiscal year period. In the first place, it will be remembered that the Relief Act of 1933 limited the amount which could be expended for direct relief to \$20,000,000. This resulted in a carryover from last year amounting to \$9,360,000, which has been disbursed in the present fiscal year. Furthermore, the institution of monthly grants in aid to the provinces covering the dominion's contribution for relief expenditure from August 1st last, has had the effect of bringing up to date the dominion's share of direct relief expenditure, whereas in previous years the usual delay in the presentation of accounts first by the municipality to the province and then by the province to the dominion, had the effect of creating a very

considerable lag in the disbursements. At the present time, the monthly grants to the provinces amount to \$1,751,000.

It is estimated that up to the end of March, \$5,000,000 will be paid out by way of advance to the province of Saskatchewan for relief in the drought area and actual disbursements by the province are being checked by a representative of the dominion stationed at Regina. A final decision has not yet been reached with the province as to the amount of the cost of these relief measures which will be assumed by the dominion and, in the meantime, the sums which have been advanced have been accepted by the province as loans for which security has been given. In order, however, that our statement of expenditures for the year may be as inclusive as possible of obligations relating to the year, our estimated expenditures as listed above include the whole of the \$5,000,000 made available to Saskatchewan to date for disbursement to farmers in the drought area.

The program of dominion public works under the Public Works Construction Act passed at the last session, provided for a total expenditure of \$39,690,000. While the actual disbursements to the end of the fiscal year will be about \$8,500,000, contracts and commitments actually made to date are in the neighbourhood of \$25,000,000.

A comparative statement showing Special Expenditures under the different heads for the past five years follows:

Special Expenditures
(000 omitted)

	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Adjustment of war claims.....	110	91	55	56	60
Cost of loan flotations.....	193	1,350	1,639	2,550	2,860
Miscellaneous charges.....	2,955	3,500	2,951	2,517	2,383
Reparations-claims for compensation.....	500	1,331	188		6
Unemployment relief, 1930.....	4,432	13,190	548	4	3
Unemployment relief, 1931.....		25,106	17,048	564	55
Unemployment relief, 1932.....			19,125	6,948	310
Unemployment relief, 1933.....				28,382	2,430
Unemployment relief, 1934.....					49,150
Wheat bonus.....		10,908	1,811		
Reduction of loans to soldier settlers.....	8,599			1,766	400
Public Works Construction Act.....					8,500
Total special expenditures.....	16,789	55,476	43,365	42,787	66,157

Loans to Provinces

It has again been necessary, as in the previous three years, for the dominion to assist the four western provinces by the granting of loans to enable them to finance, in part, provincial and municipal expenditures for relief

and to make loans to farmers in distressed areas for the purchase of seed grain, feed, etc.

During the year, several of the provinces were able, by reason of their improved budgetary position and the strength of investment markets, to make public issues of

securities and they were not obliged to rely wholly upon the dominion for their borrowings. The aggregate of the loans by the dominion, however, was large, the net amount, after crediting repayments, being \$23,300,000, divided among the provinces as follows:

Manitoba.....	\$ 2,900,000
Saskatchewan.....	10,500,000
Alberta.....	1,900,000
British Columbia.....	8,000,000
	<hr/> \$23,300,000

The net amount of loans outstanding at the end of the previous fiscal year was \$51,300,000 which, with the net loans granted in the current year of \$23,300,000, brings the total of

dominion assistance to the four western provinces by way of loan under the relief acts, to \$74,600,000. Short date Treasury Bills bearing interest at the rate of 5 per cent to July 1st last and 4½ per cent thereafter, have been tendered by the provinces in respect of the loans. Interest has been paid in cash by the provinces of Manitoba, Alberta and British Columbia as it became due, but the province of Saskatchewan, being unable to meet such payments, has covered the interest accruals by tendering their treasury bills.

A statement of the loans to date by provinces, showing the purposes for which they were granted, follows:

Loans to Provinces under Relief Acts
Estimated Net Outstanding March 31, 1935

	Loans to meet maturing obligations and interest	Loans specifically for Agricultural Relief, including feed and seed grain	Loans for provincial purposes gener- ally including public works and direct relief	Total
	\$	\$	\$	\$
Manitoba.....	3,425,316	265,000	9,418,313	13,108,629
Saskatchewan.....	3,934,341	7,892,633	22,662,452	34,489,426
Alberta.....	3,142,000	2,235,000	6,600,000	11,977,000
British Columbia.....	5,298,664	.....	9,715,571	15,014,235
	<hr/> 15,800,321	<hr/> 10,392,633	<hr/> 48,396,336	<hr/> 74,589,290

Loans and Advances—Non-active

The total outlay under this head will be \$1,700,000, as compared with over \$3,000,000 last year. These are amounts paid for deficits and capital requirements of the Canadian National Steamships, the deficit of the Jacques Cartier bridge, Montreal, and for loans to several of the harbour commissions. Being non-interest producing, these advances are treated as additions to the net debt.

It is gratifying to note that the operations of the Canadian National Steamships have shown a marked improvement over the previous year. The cash deficit of the West Indies Service amounted to \$567,000, as compared with \$968,000 in 1933. The ships remaining in the Canadian Government Merchant Marine fleet operated in 1934 at a cash loss of \$127,000, as compared with \$18,000

in the previous year. In addition, \$43,000 was provided from dominion funds for capital expenditures on the West Indies ships. The total amount required for the steamships in respect of operations in 1934 was therefore \$737,000. The merchant marine, due to curtailment in operations, found it possible to return to the dominion a further \$250,000 advanced some years ago for working capital, and with the application of this credit, the net amount required for shipping services this year will be \$487,000. The amount paid to the Montreal harbour commission for the deficit on the Jacques Cartier bridge was \$434,000, bringing the total amount which the dominion has had to pay since 1930, to \$2,022,000.

Non-active loans to the harbour commissions at Chicoutimi, Halifax, Quebec, Saint John and Three Rivers, will total \$802,000.

A statement of non-active advances for the past five years follows:

Loans and Advances, Non-Active
(000 omitted)

	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Loans to Can. National Steamships..	1,827	1,199	1,383Cr.	14Cr.	487
Loans to Harbour Commissioners..	3,661	1,913	4,898	2,110	1,237
Can. Pacific Railway (Relief Acts)...	—	—	1,447	1,000	—
Accounts carried as Active Assets transferred to Non-active.. . . .	—	—	62,938*	—	11
	5,488	3,112	67,900	3,096	1,735

* Canadian National Railways—Loans of 1931-32 \$41,121
Sundry Harbour Commissions—Advances prior to 1932-33 21,817

In addition to the advances to harbour commissions treated in our accounts as non-active, there has been made in the past year a comparatively small amount of loans to the harbour commissions at Montreal and Vancouver. As interest is paid by these commissions on the loans which they have received from the

treasury, they are carried in the accounts as active assets.

For purposes of record, there is submitted a statement showing loans to all harbour commissions for the past five years and the aggregate to date, which has now reached the large sum of \$138,000,000:

Advances to Harbour Commissions
(000 omitted)

	1930-31	1931-32	1932-33	1933-34	Esti- mated 1934-35
	\$	\$	\$	\$	\$
Chicoutimi.....	846	465	324	332	256
Halifax.....	3,539	2,752	1,023	151	65
Montreal.....	2,291	1,412	584	449	97
Montreal Bridge deficit.....	170	534	395	489	434
New Westminster.....	—	189	66	19	—
Quebec.....	3,491	1,379	341	107	4
Saint John.....	1,094	5,764	2,654	924	471
Three Rivers.....	1,544	747	160	107	6
Vancouver.....	2,802	809	—	1,208	296
	15,777	14,051	5,547	3,786	1,629

Advances to Date
(000 omitted)

Chicoutimi.. . . .	\$ 3,539
Halifax.. . . .	8,833
Montreal.. . . .	58,519
Montreal Bridge deficit.. . . .	2,022
New Westminster.. . . .	275
Quebec.. . . .	26,261
Saint John.. . . .	13,219
Three Rivers.. . . .	2,700
Vancouver.. . . .	22,921
	<u>\$138,289</u>

Canadian Farm Loan Board

New capital furnished to the Canadian Farm Loan Board in the year will amount to \$353,000, bringing the total investment of the dominion to \$8,856,000.

Bonds of the board are now purchased on a basis of 4 per cent instead of 5 per cent, as formerly, and a corresponding reduction has been made in the cost of money to farmers who borrow from the board.

Canadian National Railways

The amount required in cash from the dominion treasury for deficit of the Canadian National Railways decreased by \$10,500,000 in 1934, as compared with 1933. Increased earnings, on the one hand, and decrease in the charges for exchange involved in payment of interest abroad, were the main factors in this improvement. Gross earnings were greater by \$16,400,000, or 11 per cent, and while operating expenses were somewhat larger than the estimated figures presented in the railway budget, the outcome on the whole was slightly better than anticipated at the beginning of the year. The amount required for deficit, after payment of interest due the public, and taken into the accounts of the dominion as an expenditure for the year, amounted to \$48,400,000, as compared with \$58,900,000 in 1933. While this reduction in the deficit affords a very welcome relief to

the treasury and tax-payer, the deficiency which still remains is of such proportions as to constitute a most serious drain on our resources.

Actually, the books of the company show a loss in 1934 of \$89,600,000. This figure can be reconciled with the amount of our payment by deducting \$36,000,000 for accrued—but unpaid—interest on government advances and \$5,200,000 for various charges not involving cash outlay on the part of the railway.

In addition to provision for the deficit, the dominion furnished by way of loan \$579,000 for capital expenditures and \$10,170,000 for retirement of miscellaneous maturing debt, making a total paid on all accounts in respect of the operations in the year 1934, of \$59,100,000. The budget of the railways, as presented to parliament, provided for a total amount of \$65,200,000. It will be seen, therefore, that the net requirements for the year were \$6,000,000 less than estimated, accounted for mainly by savings in capital expenditures.

In addition to the assistance granted in cash, the dominion guaranteed an issue of 3 per cent 16-year bonds to the amount of \$20,500,000 issued and payable in Canada only, for the purpose of refunding \$17,060,000 Canadian Northern dominion guaranteed 4 per cent debenture stock which fell due on September 1st last and \$3,510,000 Great Northern Railway Company of Canada 4 per cent bonds due October 1st last. The cost of this flotation to the company was 3.10 per cent, the resultant saving in interest charges being about \$200,000 annually.

On February 15th last, another issue of Canadian Northern Railway Company 4½ per cent dominion guaranteed bonds fell due, payable in Canada and New York, and was provided for, pending a suitable opportunity for the issue of long-term securities, by the issue of 2 per cent temporary guaranteed bonds. No public sale took place in this connection, \$6,831,000 having been advanced from the dominion treasury and the balance of \$10,169,000 having been secured by the sale of temporary bonds to trustees of railway equipment issues.

The debt of the Canadian National Railway system, outstanding in the hands of the public is now \$1,238,000,000, having been reduced by \$15,000,000 in the past year. Of the amount outstanding, \$956,000,000 are obligations guaranteed by the dominion.

A further improvement in railway earnings is anticipated in the year 1935 and the estimates of the company are based upon a further reduction of \$4,400,000 in the deficit, bringing the loss to \$44,000,000. In addition, the company will require \$5,500,000 for capital expenditures and \$25,700,000 for retirement of capital obligations, including sinking funds and equipment principal payments and the \$17,000,000 bond maturity on February 15, 1935, already referred to. The total of these amounts is \$75,200,000.

The following statement summarizes the financial requirements of the Canadian National Railway system in respect of the calendar year 1934, as compared with their budget figures and with their actual requirements in 1933:

Canadian National Railways Financial Requirements

	Actual 1934	Budget 1934	Actual 1933
	\$	\$	\$
By Cash:			
Deficit—			
System (ex. eastern lines).....	42,589,825	43,240,298	52,263,819
Eastern lines.....	5,818,076	5,600,000	6,691,569
	48,407,901	48,840,298	58,955,388
Capital expenditures	578,991	4,202,007	1,958,116
Debt retirement.....	10,170,618	12,185,828	11,269,985
	59,157,510	65,228,133	72,183,489
Less working capital available.....			5,000,000
Total.....	59,157,510	65,228,133	67,183,489
By guarantee:			
1934 Long Term Refunding (Maturities \$20,573,583).....	20,500,000	20,500,000	.....

Summary of Expenditures

The grand total of expenditures for the year, under all heads, including relief and railway deficit, will be \$480,000,000. This is an increase of \$22,000,000, as compared with

1933-34, which is more than accounted for by the increase in unemployment relief outlays.

A summary of expenditures, with comparisons for the previous four years, is now submitted:

Summary of Expenditures
(000 omitted)

	1930-31	1931-32	1932-33	1933-34	Estimated 1934-35
	\$	\$	\$	\$	\$
Ordinary expenditures.....	382,827	365,873	349,811	346,649	356,638
Capital expenditures.....	28,222	16,980	8,548	6,490	7,136
Special expenditures.....	16,789	55,476	43,365	42,787	66,157
Loans and advances, non-active.....	5,488	3,112	67,900	3,096	1,735
Canadian National Railway deficits—					
System ex. eastern lines*.....			53,423	52,264	42,590
Eastern lines.....	6,712	6,632	8,717	6,691	5,818
	440,038	448,073	531,764	457,977	480,074

*Corresponding figures for operations in the years 1930 and 1931 were \$28,425,000 and \$52,256,000 respectively. The losses in 1930 and 1931 were financed by loans and/or guarantee of securities. Government loans of \$41,121,000 in respect of 1931 operations appear in the above statement under Loans and Advances Non-active for the year 1932-33.

Net result of Year's Operations

Taking the ordinary revenues for the year at \$359,300,000 and ordinary expenditures at \$356,600,000, there is a resulting surplus on ordinary account of \$2,700,000. This is the first surplus on ordinary account since 1929-30, and compares with a deficit of \$22,000,000 last year and \$43,000,000 the year before.

There are, of course, to be taken into consideration, capital and special expenditures, less special receipts, and loans and advances non-active, to arrive at the net result for the year on government operations. These amount to \$72,000,000, and wipe out the surplus on ordinary account, producing a deficit of \$69,300,000.

Adding the railway deficit of \$48,400,000, the total increase in debt for the year becomes \$117,700,000. The corresponding figure for the previous year was \$133,500,000, indicating an over-all improvement of \$15,800,000.

It may be useful at this point to analyze the increase of debt which the dominion has had to assume in the past five years and to indicate briefly the purposes for which the added obligations have been incurred. The net debt has risen by \$669,900,000 since the end of 1929-30. The present administration took office in August, 1930, after the budget for 1930-31 had been determined and, with the exception of unemployment relief expenditure of \$4,400,000, the deficit of \$83,800,000 incurred in that year cannot properly be attributed to its period of office. For the

purpose of making a complete presentation, however, the year 1930-31 is included in this computation.

The largest single factor contributing to the increase of our debt has been the deficits of the Canadian National Railway system. The total expenditure in that connection has been \$223,900,000, accounting for 34 per cent of the increase in debt in the period. Undoubtedly, the falling-off in traffic due to the depression would in any event have imposed serious burdens on the public, but the problem was rendered particularly acute by reason of the dead-weight of railway debt incurred for railway expansion in the previous eight-year period, much of it payable in external currencies.

Next in order of importance comes the expenditure for unemployment relief and wheat bonus, aggregating \$188,500,000, representing 28 per cent of the total increase in debt.

Deficits on ordinary account, due to the falling off in taxation revenues and notwithstanding drastic curtailment in expenditures and personnel of government departments, amounted to \$135,350,000, or 20 per cent of the additional debt incurred in the period.

Capital expenditure on public works totalled \$67,300,000, or 10 per cent. Of this amount \$28,200,000 was incurred in the year 1930-31 alone.

Loans and advances, non-active, chiefly to harbour commissions and steamships, amounted to \$40,200,000, or 6 per cent. The greater

part of the expenditure for harbour commissions, amounting to \$35,600,000, arises out of projects initiated and carried on before the present government took office. The expenditure was then carried in the accounts as active assets and excluded from the net debt. These so-called assets were written down in

1932-33, as the commissions had no revenues over operating expenses to support this debt.

The balance of the debt increase is made up of miscellaneous special expenditures, totaling \$14,500,000, or 2 per cent.

A brief statement accounting for the increase of debt is now submitted:

Increase of Net Debt, March 31, 1930, to March 31, 1935

	Amount	Per cent
Canadian National Railway deficits.. . . .	\$223,970,000	34
Unemployment relief and wheat bonus.. . . .	188,500,000	28
Deficits on ordinary account.. . . .	135,350,000	20
Capital expenditures.. . . .	67,380,000	10
Loans and advances, non-active.. . . .	40,200,000	6
Other special expenditures, less special receipts.. . . .	14,500,000	2
Increase in net debt, 1930-35.. . . .	\$669,900,000	100

While the debt figures have grown in the five year period to the extent indicated, fortunately the annual interest burden has not increased in anything like the same proportion, due to the notable savings made through debt refunding operations. In actual fact, the annual charges on the total interest-bearing debt of the dominion, funded and unfunded, have increased by only \$14,300,000 in the five years. This is the measure of the additional burden in fixed charges in the period of the depression. Had the new debt been incurred at the average rate now prevailing, and had there been no such savings through refunding the addition to the debt charges would have been almost twice as large.

Furthermore, it should be pointed out that \$3,450,000 of the increased debt charge of \$14,300,000, arises out of the transfer this year of 3 per cent dominion bonds to the Bank of Canada in respect of the outstanding note issue not covered by gold or silver. There will be on the revenue side an off-setting item, at least in part, to the interest payable on these bonds in the profits which the bank will turn back to the government. The transaction is more in the nature of an internal financial arrangement than the creation of a new debt, an interest bearing liability having, for the purposes of the establishment of the bank, been substituted for the non-interest bearing liability formerly represented by the uncovered note issue.

Controllable and Uncontrollable Expenditures

The fixed and uncontrollable expenditures of government in the current year will total about \$233,000,000 and the controllable, \$138,000,000; that is, out of every \$100 spent by the government, nearly \$63 is required for

interest, pensions, provincial subsidies, ex-soldiers' care, and similar items. This computation, as in past years, excludes the cost of unemployment relief and the Canadian National Railway deficit.

It may be opportune to call attention again to the reduction which has been made in controllable expenditures since 1930-31. While uncontrollable items exceed those of 1930-31 by \$21,500,000 the main increases being in interest on public debt and old age pensions the controllable expenditures on ordinary account now stand at \$45,500,000 below the figure of four years ago, a reduction of 26 per cent. Capital and other expenses are down by \$33,600,000, making a total reduction of \$79,100,000.

The decrease in ordinary expenditures has involved not only the closest scrutiny of estimates and careful administration on the part of the spending departments, but a continuous supervision of personnel and spending policy through the treasury board. The actual decrease in the number of government employees since 1930, including fluctuating as well as permanent staffs, has been 12,700, with a resultant saving in salaries and wages exceeding \$12,000,000 a year, apart altogether from the amount of \$7,300,000 arising from the operation of the Salary Deduction Act.

The first and fundamental step in the strengthening of treasury control of expenditures in the past four years, was the revision of the Consolidated Revenue and Audit Act and the consequent reorganization of governmental accounting staffs instituted at the instance of the Prime Minister in 1931. Since that date, there has been an increasing degree of treasury control of expenditures. The advantage to the tax-payer has been apparent from the figures cited above. It is to be

expected that with the addition of new governmental functions under the legislation of parliament, as, for example, unemployment insurance, there will be some expansion in the ordinary expenditures of government and, with improvement in business and expanding revenues, some additional amounts will be required for existing services which have been placed upon short ration in recent years. Nevertheless, the dominion's fixed obligations are such as to require, for some years in the future at least, most prudent and economical administration. To that end, the technique of control, which has been developed in recent years, will need to be maintained and strengthened wherever possible.

In submitting the expenditure statement classified under the headings "Controllable" and "Uncontrollable," the comparative figures for the year immediately before the war, 1913-14, are given as a matter of record. It

will be recalled that last year attention was drawn to the fact that after eliminating Post Office expenditures, for which there are compensating revenues, the ordinary controllable services were costing on a per capita basis practically the same figure as in 1913-14. The same situation holds in so far as the current year's expenditures are concerned. As pointed out last year, this fact is all the more impressive in indicating the economies which are now being observed when one considers the large amounts involved in expenditures to-day for which there was no counterpart in 1913-14, for example, air services, radio services and broadcasting, research bureau and coal movement subsidies.

A statement comparing the controllable and uncontrollable expenditures in the years 1913-14, 1930-31 and 1934-35, showing the percentages of the total required for the various services, is now submitted:

Expenditure, Uncontrollable and Controllable

(000 omitted)

	1913-14		1930-31		1934-35	
	Actual Expenditure	Percentage of total Expenditure	Actual Expenditure	Percentage of total Expenditure	Based on Estimates	Percentage of total Estimates
	\$		\$		\$	
In General Uncontrollable—						
Interest on Public Debt.....	12,894	9.36	121,290	28.28	138,529	37.32
European war pensions.....			44,234	10.31	42,000	11.31
Old age pensions.....			5,658	1.33	14,900	4.01
Other pensions and superannuation.....	756	0.55	4,628	1.07	4,626	1.25
Care of returned soldiers.....			10,183	2.37	10,137	2.73
Subsidies to provinces.....	11,280	8.19	19,036	4.44	15,369	4.14
Other items.....	3,101	2.25	6,657	1.56	7,540	2.03
Total Uncontrollable.....	28,031	20.35	211,686	49.36	233,101	62.79
Controllable—						
Ordinary—						
Agriculture, including Marketing Act.....	3,271	2.37	10,119	2.36	7,273	1.96
Fisheries.....	1,655	1.20	2,275	0.53	1,502	0.41
Indian Affairs.....	2,120	1.54	5,847	1.36	4,104	1.11
Interior.....	5,132	3.73	8,104	1.89	2,837	0.76
Justice—including penitentiaries.....	2,469	1.79	3,775	1.35	5,206	1.40
Marine—including radio communication.....	4,915	3.57	8,030	1.87	7,163	1.93
Mines—including movements of coal.....	741	0.54	1,934	0.45	3,459	0.93
National Defence.....	12,011	8.72	23,626	5.51	14,190	3.82
National Revenue.....	5,124	3.72	13,972	3.26	10,264	2.77
Post Office.....	13,566	9.85	37,892	8.83	30,528	8.22
Public Works.....	20,288	14.73	25,453	5.94	10,106	2.72
Railways and Canals.....	2,279	1.65	4,043	0.94	4,639	1.25
Royal Canadian Mounted Police.....	1,101	0.80	3,005	0.70	5,773	1.56
Trade and Commerce.....	5,323	3.87	8,407	1.96	7,021	1.89
Other services.....	7,009	5.09	16,723	3.90	15,601	4.20
	87,004	63.17	175,205	40.85	129,666	34.93
Capital—						
Railways.....	7,103	5.16	9,842	2.29	530	0.14
Canals.....	2,847	2.07	6,371	1.49	317	0.09
Public Works.....	10,100	7.33	12,009	2.80	6,289	1.70
	20,050	14.56	28,222	6.58	7,136	1.93
Special, including Miscellaneous Charges.....	32	0.02	9,456	2.21	635	0.17
Loans and advances non-active.....	2,612	1.90	4,325	1.00	680	0.18
Total Controllable.....	109,698	79.65	217,208	50.64	138,117	37.21
Total uncontrollable and controllable.....	137,729	100.00	428,894	100.00	371,218	100.00
Not included in the above—						
Canadian National Railways Deficits.....			35,137		48,408	
Unemployment Relief.....			4,432		51,948	
Public Works Construction Act.....					8,500	
Canadian Government Railways—						
Capital and deficit.....	17,295					
Railway subsidies.....	19,036					

LOAN FLATATIONS

In the fiscal year 1934-35 the dominion government raised £10,000,000 in London, New York and Canada. These loans were made for refunding, as well as for current requirements.

In May last, an issue of £10,000,000 3½ per cent registered stock was sold in London at a price of 95.50 or at an interest cost of 3.48 per cent. The issue will mature May 1, 1955 with the right to call at par on or after May 1, 1950. Part of the proceeds of this issue

was used to pay off the 3½ per cent sterling loan dated June 1, 1884, and maturing June 1, 1934. The amount of this loan outstanding was £4,822,029, of which £2,086,776 was held in the sinking fund. The balance of the proceeds was used for current purposes, including a temporary loan to the Canadian National Railways to enable it to redeem stock on the London register of the issue maturing September 1st, already referred to. The government was later reimbursed by the issue of guaranteed railway securities in Canada.

The \$60,000,000, 4 per cent notes due October 1, 1934, in New York, were called for redemption on September 1st. A one-year banking credit was obtained from New York banks at a rate of 2 per cent to the amount of \$50,000,000 to pay off the called notes. The balance of \$10,000,000 was met out of current cash resources.

On November 1st, last, the unconverted balance of the 1919-34 Victory loan amounting to \$222,216,850 matured. To meet this maturity, the 1934 Refunding loan was issued in Canada on October 15th. This loan was offered in four maturities; two-year bonds

with interest at 2 per cent, five-year with interest at 2½ per cent, eight-year with interest at 3 per cent and fifteen-year bonds with interest at 3½ per cent. The fifteen year bonds were made subject to call, at the option of the government after ten years. The two-year bonds were offered at 98.90 to yield 2.57 per cent, the five-year at 98.15 to yield 2.90 per cent, the eight-year at 97.00 to yield 3.43 per cent and the fifteen-year at 96.50 to yield 3.81 per cent.

A small concession in interest and, on the two longer maturities, a premium on the maturing bonds, was offered to those who converted into the new issue. The total amount of Victory bonds converted into the new issue was \$157,369,900, or nearly 71 per cent of the amount outstanding. Cash subscriptions totalled \$119,405,100, of which only \$86,170,200 was accepted.

The practice of issuing treasury bills by public tender was continued. The most recent issue, was made yesterday when \$15,000,000 of three months' bills were sold at an average discount rate of 1.76 per cent. The following is a statement of the issues made:

Treasury Bills Sold by Public Tender

April 18, 1934—

due July 1, 1934—\$ 1,600,000 sold at an average cost of 2.41 per cent
due Oct. 1, 1934— 13,400,000 sold at an average cost of 2.71 per cent

November 1, 1934—

due Feb. 1, 1935— 1,600,000 sold at an average cost of 2.35 per cent
due May 1, 1935— 18,400,000 sold at an average cost of 2.47 per cent

February 1, 1935—

due May 1, 1935— 18,300,000 sold at an average cost of 2.05 per cent

March 22, 1935—

due June 22, 1935— 15,000,000 sold at an average cost of 1.76 per cent

The School Lands 5 per cent debenture stock, issued to the provinces of Manitoba, Saskatchewan and Alberta, matured on July 1, 1934, and was extended for a period of one year at the same rate of interest.

The issue of one-year 3½ per cent treasury bills to the amount of \$50,000,000 that matured on August 1, 1934, was replaced by an issue of one-year treasury bills bearing interest at 2½ per cent.

In connection with the opening of the Bank of Canada there was issued to that institution in accordance with the Bank of Canada Act, \$115,013,636.82 of 3 per cent five-year bonds. This issue was to provide for the portion of the dominion note issue that was not covered by gold or silver. On the same date \$35,000,000

of three-months treasury bills were sold to the Bank of Canada at a discount of 1½ per cent, to replace a similar amount of 4 per cent treasury bills held by the chartered banks.

Reference has already been made to the large savings in interests charges arising from refunding operations in the past four years. It is noteworthy that as a result the average interest rate on the dominion's funded debt and treasury bills has now been reduced to 4.15 per cent, compared with a high point of 5.204 per cent in 1922.

The following is a statement of the unmatured funded debt and treasury bills of the dominion outstanding at March 31st, 1935, showing also the annual interest charges thereon:

Unmatured Funded Debt and Treasury Bills, as at March 31, 1935, and Annual Interest Charges

Date of Maturity	Rate	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1935 April 30.....	1½	Canada.....	2,540,100	00	44,451	75
April 30.....	2	Canada.....	3,407,630	26	68,152	61
April 30.....	2	New York.....	2,737,986	67	54,759	73
July 1.....	5	Canada.....	33,293,470	85	1,664,673	54
Aug. 1 (a).....	5	Canada and New York.....	874,000	00	43,700	00
Aug. 1.....	2½	Canada.....	50,000,000	00	1,437,500	00
Sept. 1.....	2	New York.....	50,000,000	00	1,000,000	00
Oct. 15.....	4	Canada.....	25,000,000	00	1,000,000	00
Oct. 15.....	3½	Canada.....	89,393,000	00	3,128,755	00
1936 Feb. 1.....	4½	New York.....	40,000,000	00	1,800,000	00
Oct. 15.....	2	Canada.....	63,336,000	00	1,266,720	00
Nov. 15.....	5	Canada.....	79,535,200	00	3,976,760	00
1937 Mar. 1 (a).....	5	Canada and New York.....	89,787,100	00	4,489,355	00
Dec. 1 (a).....	5½	Canada.....	236,299,800	00	12,996,489	00
1938 July 1.....	3	London.....	8,071,230	16	242,136	90
July 1.....	3	London.....	18,250,000	00	547,500	00
July 1.....	3	London.....	10,950,000	00	328,500	00
July 1.....	3½	London.....	15,056,006	66	526,960	23
1939 Oct. 15.....	4	Canada.....	47,269,500	00	1,890,780	00
Oct. 15.....	2½	Canada.....	7,933,000	00	198,325	00
1940 Mar. 1.....	3	Canada.....	115,013,636	82	3,450,409	10
Sept. 1.....	4½	Canada.....	75,000,000	00	3,375,000	00
1941 Nov. 15.....	5	Canada.....	141,663,000	00	7,083,150	00
1942 Oct. 15.....	3	Canada.....	40,409,000	00	1,212,270	00
1943 Oct. 15.....	5	Canada.....	147,000,100	00	7,350,005	00
1944 Oct. 15.....	4½	Canada.....	50,000,000	00	2,250,000	00
1945 Oct. 15.....	4	Canada.....	88,337,500	00	3,533,500	00
1946 Feb. 1.....	4½	Canada.....	45,000,000	00	2,025,000	00
1947 Oct. 1.....	2½	London.....	4,888,185	64	122,204	64
1949 Oct. 15.....	3½	Canada.....	138,322,000	00	4,841,270	00
1950 July 1.....	3½	London.....	137,058,841	00	4,797,059	43
1952 May 1.....	5	New York.....	100,000,000	00	5,000,000	00
Oct. 15.....	4	Canada.....	56,191,000	00	2,247,640	00
1955 May 1.....	3½	London.....	48,666,666	67	1,581,666	67
1956 Nov. 1.....	4½	Canada.....	43,125,700	00	1,940,656	50
1957 Nov. 1.....	4½	Canada.....	37,523,200	00	1,688,544	00
1958 Sept. 1.....	4	London.....	73,000,000	00	2,920,000	00
Nov. 1.....	4½	Canada.....	276,687,600	00	12,450,942	00
1959 Nov. 1.....	4½	Canada.....	289,693,300	00	13,036,198	50
1960 July 1.....	4	London.....	93,926,666	66	3,757,066	67
Oct. 1.....	4	New York.....	100,000,000	00	4,000,000	00
Treasury Bills due May 1, 1935.....	2-47	Canada.....	18,400,000	00	454,480	00
Treasury Bills due May 1, 1935.....	2-05	Canada.....	18,300,000	00	375,150	00
Treasury Bills due June 11, 1935.....	1-75	Canada.....	35,000,000	00	612,500	00
Treasury Bills due June 22, 1935.....	1-76	Canada.....	15,000,000	00	264,000	00
			3,061,940,421	39	127,074,231	27

	\$	cts.	%
Payable in Canada.....	2,268,673,737	93	74-03
Payable in Canada and New York.....	90,661,100	00	2-96
Payable in New York.....	292,737,986	67	9-56
Payable in London.....	409,867,596	79	13-39

Less—Bonds and Stocks of the above loans held as Sinking Funds.....	3,061,940,421	39	100-00
	54,532,688	09	
	3,007,407,733	30	

(a) Tax free in Canada.

Indirect Liabilities

Bonds bearing the guarantee of the dominion outstanding in the hands of the public, at present amount to \$987,300,000, a decrease of \$6,000,000 in the year

With reference to guarantees under the relief acts, no new commitments were entered into during the year and substantial reductions occurred in the amounts outstanding under guarantees given in previous years.

The guarantee in connection with the financing of the completion of the Beauharnois power project terminated during the year without cost to the government. The Canadian Pacific Railway repaid bank loans to the extent of \$12,000,000, reducing the amount of the guarantee correspondingly. The guarantee in connection with the province of Manitoba savings office was reduced by some \$1,500,000. The guarantee of bank advances arising out of the operations of the Canadian

Cooperative Wheat Producers Limited in connection with the marketing of wheat, was continued.

Apart from the wheat guarantee, which is for an unstated amount and is subject to fluctuation from day to day, the aggregate of guarantees under the relief acts is \$65,717,000, a decrease of \$27,500,000 in the fiscal year. The amounts of the different guarantees are as follows:

Guarantees Under Relief Acts		Estimated principle amount of guarantee outstanding Mar. 31, 1935
Province of British Columbia..	\$	626,533
Province of Manitoba..		5,894,127
Province of Manitoba Savings Office..		9,327,327
Algoma Steel Corporation..		445,000
Dominion Steel and Coal Corporation..		800,000
Canadian Pacific Railway Company..		48,000,000
Government of Newfoundland..		625,000
Canadian Co-operative Wheat Producers Limited..		Unstated

The following is a statement of the guaranteed bonds presently outstanding:

Bonds Guaranteed by Dominion Government as at March 31, 1935

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$
Sept. 1, 1936.....	Grand Trunk.....	6	24,220,000 00
Oct. 1, 1940.....	Grand Trunk.....	7	23,740,000 00
Dec. 1, 1940.....	Canadian Northern.....	7	23,779,000 00
July 1, 1946.....	Canadian Northern.....	6½	24,238,000 00
April 1, 1948.....	New Westminster Harbour Commission.....	4½	700,000 00
Dec. 15, 1950.....	Canadian National.....	3	20,500,000 00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000 00
Aug. 1, 1952.....	Saint John Harbour Commission.....	5	667,953 04
July 10, 1953.....	Canadian Northern.....	3	9,359,996 72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000 00
Sept. 15, 1954.....	Canadian National.....	4½	26,000,000 00
Mar. 1, 1955.....	Canadian National (West Indies) Steamships.....	5	9,400,000 00
June 15, 1955.....	Canadian National.....	4½	50,000,000 00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000 00
July 1, 1957.....	Canadian National.....	4½	65,000,000 00
July 20, 1958.....	Canadian Northern.....	3½	7,896,555 51
May 4, 1960.....	Canadian Northern Alberta.....	3½	3,149,998 66
May 19, 1961.....	Canadian Northern Ontario.....	3½	34,229,996 87
Jan. 1, 1962.....	Grand Trunk Pacific.....	5	34,992,000 00
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	8,440,848 00
Dec. 1, 1968.....	Canadian National.....	4½	35,000,000 00
July 1, 1969.....	Canadian National.....	5	60,000,000 00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000 00
Nov. 1, 1969.....	Harbour Com. of Montreal.....	5	19,000,000 00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000 00
By tenders or drawings....	Canadian National.....	2	26,152,580 93
Various dates, 1935-54....	City of Saint John Debs., assumed by Saint John Harbour Commissioners.....	Various	1,233,527 74
Various dates, 1935-36....	Canadian National (temporary).....	2	10,169,000 00
Serial—Feb. 1 and Aug. 1, 1935-38.....	Canadian National Equip. G.....	5	5,250,000 00
Perpetual.....	Grand Trunk Guaranteed Stock.....	4	60,833,333 33
".....	Grand Trunk Debenture Stock.....	5	20,782,491 67
".....	Great Western Debenture Stock.....	5	13,252,322 67
".....	Grand Trunk Debenture Stock.....	4	119,839,014 33
".....	Northern Ry. of Canada Deb. Stock.....	4	1,499,979 67
			987,326,599 14

The following statement of the assets and March 31, 1935, completes the presentation of liabilities of the dominion, estimated as at the financial record of the year:

Liabilities, March 31, 1935 (Estimated)	
Bank circulation redemption fund..	\$ 6,696,000
Insurance and superannuation funds—	
Government annuities..	\$ 46,329,000
Insurance fund, civil service..	9,178,000
Insurance fund, returned soldiers..	13,474,000
Retirement fund..	7,968,000
Superannuation funds..	48,622,000
	125,571,000
Trust funds—	
Indian funds..	13,792,000
Common school funds..	2,675,000
Contractors' securities deposits..	850,000
Other trust funds..	2,575,000
	19,892,000
Contingent and special funds..	3,650,000
Post Office money orders, postal notes, etc., outstanding..	3,750,000
Province accounts..	9,624,000
Post Office savings bank deposits..	22,500,000
Funded debt—	
Unmatured..	3,007,408,000
Matured but not presented for payment..	4,050,000
	3,011,458,000
Interest coupons matured but not presented for payment..	1,700,000
	\$ 3,204,841,000

Assets, March 31, 1935 (Estimated)	
Active Assets—	
Cash, working capital advances and other current assets..	\$ 25,155,000
Gold Bullion account..	2,750,000
Loans to provinces—	
Housing..	\$ 9,771,000
River Acts..	74,649,000
	84,420,000
Loans to foreign governments—	
Greece..	6,525,000
Roumania..	23,969,000
	30,494,000
Loans to harbour commissioners—	
Montreal..	58,519,000
Vancouver..	22,921,000
New Westminster..	275,000
	81,715,000
Bond-holding account..	4,444,000
Canadian National Railways..	27,053,000
Canadian Farm Loan Board..	8,857,000
Soldier and general land settlement..	44,700,000
Seed grain and relief advances..	2,385,000
Canadian government railways open and stores accounts..	15,749,000
Deferred debits—	
Unamortized discount and commission on loans..	29,441,000
	\$ 357,163,000
Net debt March 31, 1935 (estimated)..	2,847,678,000
Represented by—	
Non-active assets March 31, 1935 (estimated).	
Capital expenditures—	
Public Works, Canals..	242,397,000
Railways..	443,712,000
Public buildings, harbour and river im-	
provements..	258,414,000
Military property and stores..	12,035,000
Territorial accounts..	9,896,000
	966,454,000

Loans, non-active—

Canadian National Railways.. . . .	655,527,000
Railway accounts (old).. . . .	88,399,000
Canadian National Steamships.. . . .	15,840,000

Harbour Commissioners—

Quebec.. . . .	26,261,000
Chicoutimi.. . . .	3,538,000
Halifax.. . . .	8,833,000
Saint John.. . . .	13,219,000
Three Rivers.. . . .	2,700,000
Montreal South Shore Bridge.. . . .	2,022,000

56,573,000

Seed grain and relief advances.. . . . 536,000

Soldier and general land settlement.. . . . 16,514,000

Miscellaneous advances.. . . . 3,538,000

Consolidated fund—

Balance consolidated fund, brought forward from March 31, 1934.. . . .	935,419,000
Excess of expenditure over revenue, fiscal year ended March 31, 1935 (estimated).. . . .	108,878,000
	1,044,297,000
	\$ 2,847,678,000

WAYS AND MEANS, 1935-36

There remain to be considered proposals affecting our revenue position for the coming year. The gain of 12 per cent in the yield from taxation in the current year, after absorbing losses from downward revisions effected in the last budget, gives ground for satisfaction. The upward trend is continuing and I believe we are justified in anticipating with confidence further substantial additions to our income based upon the existing rates of taxation. It must not be overlooked, however, that some new expenditures will have to be met, including grants to the maritime provinces and British Columbia, reinstatement of a portion of salary deductions and expenses incidental to the operation of several of the important measures being dealt with by parliament at this session. Furthermore, although employment is increasing and railway earnings are higher, there will still be a heavy drain on our resources for unemployment and farm relief and payment of railway deficit.

Under these circumstances and with the expectation that improved conditions will render the burden somewhat less onerous than in the past few years, it seems to be the part of wisdom to budget for a further substantial increase of revenue, retaining, except for some adjustments that are not expected to alter the yield materially, the present scale of excise duties and taxes and securing some additional amounts from the income tax.

Income tax

In an address delivered a few weeks ago the Prime Minister made certain references to the necessity of changes in our income tax structure. It was pointed out at that time that incomes may be regarded generally as falling into two categories, which may be described broadly as earned income and investment income, and that this distinction which is recognized in the tax systems of other countries might fairly be held in mind when the question of distributing the burden incidental to providing increased social security was being considered.

With this principle in mind an important amendment to the Income Tax Act is being made. In order to provide additional revenue, it is proposed to levy a surtax on investment income. By investment income is meant interest, dividends, royalties, and like returns. This tax will not apply to wages and salaries up to \$14,000. All income in excess of \$14,000, for the purposes of this tax is to be regarded as investment income. A specific exemption of \$5,000 is provided. That is to say, income up to \$5,000 will not be subject to surtax even though all such income be investment income. Furthermore, if the ordinary personal exemption and the allowance for dependents exceed \$5,000, exemption to the higher amount will be allowed.

The rates of surtax which are to apply to investment income range from 2 per cent on such income in the lowest category to 10 per cent on all income in excess of \$200,000 and are as follows:

Included in any income exceeding.. . . .	\$ 5,000 but not exceeding \$ 10,000—	2 per cent
Included in any income exceeding.. . . .	10,000 but not exceeding 14,000—	3 per cent
On any income exceeding.. . . .	14,000 but not exceeding 20,000—	3 per cent
On any income exceeding.. . . .	20,000 but not exceeding 30,000—	4 per cent
On any income exceeding.. . . .	30,000 but not exceeding 50,000—	5 per cent
On any income exceeding.. . . .	50,000 but not exceeding 75,000—	6 per cent
On any income exceeding.. . . .	75,000 but not exceeding 100,000—	7 per cent
On any income exceeding.. . . .	100,000 but not exceeding 150,000—	8 per cent
On any income exceeding.. . . .	150,000 but not exceeding 200,000—	9 per cent
On any income exceeding.. . . .	200,000	—10 per cent

Further changes in the Income War Tax Act are to be made as a result of new arrangements regarding the tax on the premium value of gold. You will remember that the Prime Minister, when discussing this tax last year, emphasized its temporary nature and also that specific provision was made in the act for its termination. It was recognized that increasing costs due to a rising price level must inevitably wipe out the extraordinary gains which were the basis of this tax. Consequently, the tax was levied only for a definite period which expires May 31, 1935. It has been decided to adhere to the original intention and the tax therefore lapses on that date.

However, changes are to be made in the income tax regulations providing for depletion allowances, which, together with the remaining two months' yield from the gold tax, should compensate for the termination of the gold tax.

With regard to the existing regulations allowing depletion to mines, it is believed that several of these provisions have been unduly generous in their operation. Not only has it been pointed out that the specific rate of 50 per cent, in the case of precious metal mines could fairly be reduced, but also that the granting of depletion at the present rates to both corporation and shareholder cannot well be defended.

The rate of depletion allowance granted to precious metal mines is to be reduced from 50 per cent to 33½ per cent.

And, dividends received by shareholders are to be taxed by reducing the allowance from 50 to 20 per cent.

Other changes in the Income War Tax Act include an increase in the corporation income tax from 12½ per cent to 13½ per cent and more drastic provisions with regard to consolidated income returns designed severely to restrict this privilege and, when consolidation of returns is allowed, the rate of tax is to be 15 per cent as compared with the present 13½ per cent rate.

Finally, it is proposed to levy a tax on gifts. This form of tax, adopted by many countries, is being imposed primarily to operate as a deterrent to transfers of property by gift, chiefly within family groups which would have the effect of reducing personal income to lower brackets and thus securing income tax assessment at rates lower than would otherwise be applicable. It is particularly expedient to introduce this measure at this time in view of the higher rates of taxation provided for in the new surtax on investment income. Not only should this tax put our income tax structure on a more secure foundation but also it should operate in a like manner with regard to succession and inheritance taxes levied by the provinces.

The rates at which gifts are to be taxed are as follows:

Up to and including \$ 25,000.. . . .		2%
Exceeding 25,000 but not exceeding \$ 50,000.. . . .		3%
Exceeding 50,000 but not exceeding 100,000.. . . .		4%
Exceeding 100,000 but not exceeding 200,000.. . . .		5%
Exceeding 200,000 but not exceeding 300,000.. . . .		6%
Exceeding 300,000 but not exceeding 400,000.. . . .		7%
Exceeding 400,000 but not exceeding 500,000.. . . .		8%
Exceeding 500,000 but not exceeding 1,000,000.. . . .		9%
Exceeding 1,000,000.. . . .		10%

The tax shall not apply to gifts between husband and wife, nor to gifts to minors, as under the present act the donor in such cases continues to be taxed on the income from the property so transferred.

Certain classes of gifts are to remain free from tax such as, for example, gifts made for charitable, religious, educational, scientific or literary purposes, or to the dominion, any province or political sub-division thereof for

public purposes. Furthermore, gifts in the aggregate not exceeding \$1,000 a year are to be free from tax.

The above amendments are to come into force as from the commencement of the 1934 taxation period and to be applicable to fiscal periods ending therein, and to all subsequent periods, except in regard to depletion allowances to those mining companies whose principal product is gold and which have been subject to the gold tax, in which case the change will be effective as from the commencement of the 1935 taxation period and will be applicable to fiscal periods ending therein and to all subsequent periods. The gift tax also shall only be applicable with respect to gifts made after the commencement of the 1935 taxation period.

It is estimated that on account of the above changes in the Income Tax Act revenues therefrom will be increased by not less than \$12,000,000.

Sales tax

The proposed changes in the taxes levied under the Special War Revenue Act are few in number and of minor importance. Most of the changes are merely to remove existing anomalies.

With regard to the sales tax the present 6 per cent rate will be continued and the only changes in the exemption list are the addition of casein, grain separators or seed cleaning machines, pit props and packwood for use exclusively in mines. Two other alterations have been made in order to provide that goods given away or distributed free, that is to say, advertising samples, will not be subject to the sales tax and that articles produced in institutions for the deaf and dumb shall be taxed at only half the standard rate.

Excise taxes

The present excise taxes now being levied will remain unaltered. It is proposed, however, in order to prevent the falling off in revenue now obtained from the tax on matches, to impose a new tax of 20 per cent on cigarette lighters.

With regard to the 3 per cent special excise tax on imports you will remember that last year a reduction of one-half was made in the rate applying to imports under the British preferential tariff. It is now proposed to grant complete exemption to these imports in future. Otherwise, apart from a minor addition to the exemption schedule, the special excise tax remains unaltered.

Excise duties

With regard to excise duties we are making an important change in order to protect our revenues. The present levy on spirits, which is \$7 per gallon, is to be reduced to \$4. Our revenues from spirits, including customs and excise duties, have fallen from 41 million dollars in 1930 to 12½ million in 1934. It is apparent from these figures that drastic action is necessary. Not only from our own point of view is this reduction expedient, but many of the provinces also have indicated the extreme difficulty of maintaining revenues which it is claimed are being seriously undermined through the unduly high rates of excise now obtaining and the wide discrepancy which exists between our rates of duty and those which are in effect in the United States. This lowering of the rate will bring our levies on spirits into line with those which prevail south of the border, and should be effective in eliminating illicit sales which would otherwise continue as a constant menace to our revenues. Our object is to secure increased returns by diverting into legal channels purchases which are now made illegally. Our gain will be at the expense of the existing illicit trade.

In order to ensure that the consumer will obtain the full benefit of this reduction and that our efforts to stamp out the smuggling trade will not be nullified, it is provided that in event of the failure of other authorities to pass on to the public the full amount of this decrease the governor in council may at any time suspend the operation of the new rate and the existing \$7 rate will then again come into force.

It might be mentioned here in passing that appropriate reductions are also being made in the customs duties on spirits imported into Canada.

Customs Tariff

Proposed amendments to schedule A of the customs tariff, while not numerous, are of considerable interest, from both a Canadian and an empire point of view. In a general way, these may be tabulated as follows:

Reductions under all tariffs.. . . .	12
Reductions under British preferential tariff only.. . . .	34
Reductions under intermediate tariff only..	1
Reductions under British preferential and intermediate tariffs	1
Increases in intermediate and general tariffs only.. . . .	3
Increases under all tariffs.. . . .	1
Clarifications of wording.. . . .	24
	<hr/>

I may here interject that any and all increases thus indicated were arrived at as a result of the findings of the tariff board in a number of cases, which I shall file at the conclusion of my address.

Reductions in the British preferential tariff are numerous and important. The following goods are accorded free entry under that tariff: fire brick; chequered steel plates; piston-ring castings, not machined; box-end machines; diesels and semi-diesel engines; low-rating internal combustion engines; chassis for electric trolley buses and for motor-driven cars for use on railway lines; artists' and pupils' colours; chloride of lime; aircraft and parts; press matrices, and advertising matter descriptive of empire products; toy construction sets; brass band instruments; unbound and paper bound books; wooden doors; melton cloth and slipper cloth; and mining locomotives.

Under the same tariff—and that only—the following are reduced in rate: Certain woollen and worsted fabrics (following an inquiry by the tariff board); various essences and extracts; cigarette papers, whether gummed, ungummed or in books or tubes; cut, pressed and moulded glass products; fire engines; pressed steel railway wheels; linen fire hose; leather belting; toys of pressed steel; and rugs and carpets of stated values per square yard.

One other commodity group has been selected for a drastic reduction, limited also to the British Preferential tariff, viz.: spirituous liquors. It is proposed to reduce by \$3 per gallon of proof the preferential tariff rate on imported spirits, to accompany the excise reductions previously referred to. Further action by order in council is contemplated whereby, in future, the internal excise duties levied in British countries will be disregarded in ascertaining the value for duty of liquors imported into Canada under the British preferential tariff. A feature of these downward revisions in the spirits schedules is provision for a three dollar per gallon reduction in the duty levied on rum from the British West Indies.

Enumeration of those goods in which tariff reductions are limited to the British preferential column leads, at this point, to a brief reference to the fact that, under a resolution moved to-day, the governor in council is empowered to extend within the confines of the empire the benefits of the most favoured tariff treatment accorded to any foreign country. Anomalous as it may seem, no

empire area has, in the past, been treated as a "most favoured nation" in that sense of the term, and to-day's proposed legislation is, for various reasons, of more than academic interest and value. It may be announced at once that the first order to issue under this enabling legislation will be one extending these benefits to the United Kingdom and Northern Ireland.

Reference to the fact that to-day's resolutions add no fewer than twenty important commodities to the free list under the British preferential tariff provides an opportunity to point to the record of this government in that regard. Since the emergency session of 1930—in spite of the distressing conditions then and later prevailing, with increases in tariff the order of the day rather than reductions—more than 250 items of the Canadian schedules have been definitely reduced in rate under the British preferential tariff, and of these at least 150 have been made entirely free of duty. These calculations are in general, and are not meant to include those reductions in duties, or removal of restrictions, which have been incidental to amendments in the wording or arrangement of items in the schedules.

Reductions are not confined to the British preferential tariff. Those intended to apply under all tariffs relate, inter alia, to diabetic breads, titanium pigments, certain films, several gauges of fence wire, chock releases, backed burlap, cocoa matting and various parts for motor trucks.

Increases under all tariffs number one: On slide or hookless fasteners. Three commodities will bear higher rates under the intermediate and general tariffs only, namely, adhesive materials in flake or grit form, dressed or dyed rabbit skins and toiletware of sterling silver.

The preference provided in our tariff for Australian raisins and currants is extended until March 31, 1936; and provision is made whereby oranges the produce of Palestine may be imported into Canada by way of British areas, rather than direct, as heretofore required.

The outstanding amendment to the drawback schedule is to the effect that, in order to qualify for the drawback of duty on imported bituminous coal used in its manufacture, coke produced in Canada must be actually sold for use as fuel. Another drawback item sets a precedent in that its benefits will apply only as regards importations under the British preferential tariff.

Empire content

One change in respect of empire content of imported goods is contemplated. From 50 to 25 per cent in the case of antimony oxide. Action will be taken by order in council.

The Tariff Board

Apart altogether from its work as a forum of appeal from administrative decisions regarding customs and excise, the tariff board has dealt during the year with many important matters referred to it by the Minister of Finance. There will be tabled to-day some twelve or more of its reports, which are reflected in certain of the budget resolutions to which brief reference has been made. Outstanding among these is the report on reference No. 1—the first sent to the present board—re wool goods of various kinds. Other reports to be tabled to-day include those on sterling silver toiletware, fence wire, zipper fasteners, cocoa mats and matting, paper caps, wooden doors, rabbit skins, skelp iron, adhesive flakes, diabetic breadstuffs and dextrines. Information from the board is to the effect that several other reports will shortly be presented to the minister and these will, in their turn, be presented to parliament.

ESTIMATED REVENUE, 1935-36

After giving effect to the changes which have been enumerated, it is estimated that the revenues for the year will aggregate \$392,100,000 from the following sources:

Taxation revenue—

Customs duties.. . . .	\$ 88,000,000
Excise duties.. . . .	48,500,000
Income tax.. . . .	76,000,000
Sales tax.. . . .	82,500,000
Manufacturers', stamp, importation and other special taxes..	41,200,000
	<u>\$336,200,000</u>

Non-tax revenue—

Post Office.. . . .	32,000,000
Interest on investments.. . . .	11,500,000
Other sources.. . . .	12,400,000
	<u>\$55,900,000</u>

Total.. . . .	<u>\$392,100,000</u>
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The ordinary expenditures for the year will, it is estimated, amount to \$370,600,000. With receipts of \$392,100,000, the resulting surplus will be \$21,500,000. This will be a substantial amount to be applied upon capital expenditures, for which the estimates are about \$6,000,000, and special expenditures including unemployment relief and railway deficit.

This is the last budget to be presented before a general election, and while fully aware of the popular reaction to reduction in taxation, the government recognizes its paramount duty is to the state and its well-being. Reduction in taxation can only be justified when it is associated with a fully balanced budget accompanied by a reduction—however gradual—in the national debt.

Whilst it is gratifying in these difficult days to be able to forecast a surplus on current account for the ensuing year of the considerable sum of \$21,500,000, it must not be overlooked that not only will this amount be absorbed in special requirements for deficits on the Canadian National Railway, unemployment relief and capital expenditures, but that these inescapable obligations will entail still further borrowings with consequent additions to the national debt.

Meantime recovery will be hastened if we face our obligations courageously. To attempt to run away from them by failing at least to strive to pay our way, would not only retard recovery but this course would in the long run entail much greater sacrifice.

Without attempting to minimize in the least our difficulties, we must keep in mind that we have borne the shock of a world war, we have paid—and will continue to pay—the attendant price in blood, in suffering, and in treasure, and we have had added thereto five years of the miseries of a world depression as great in magnitude and as disrupting in its effects as the war itself. And yet we have won our way through. There is on every hand unmistakable evidence that we are making steady progress toward that complete recovery which I am fully confident will be our portion.

RESOLUTIONS

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I will move the following resolutions:

Income War Tax Act

Resolved That it is expedient to amend the Income War Tax Act and to provide—

1. That (a) "earned income" be defined to include salaries, wages, and other personal earnings, including income derived from the carrying on of a trade (as a sole proprietor or in partnership), vocation or calling; provided however that the total amount of the "earned income" derived from any source, or combination of sources, shall in no case exceed \$14,000 per annum;

(b) "investment income" shall mean any income not defined as "earned income."

2. That rates of surtax be imposed on all persons, other than joint stock companies, in respect of investment income as follows:

Included in any income exceeding \$ 5,000 but not exceeding \$ 10,000	2%
Included in any income exceeding 10,000 but not exceeding 14,000	3%
On income exceeding 14,000 but not exceeding 20,000	3%
On income exceeding 20,000 but not exceeding 30,000	4%
On income exceeding 30,000 but not exceeding 50,000	5%
On income exceeding 50,000 but not exceeding 75,000	6%
On income exceeding 75,000 but not exceeding 100,000	7%
On income exceeding 100,000 but not exceeding 150,000	8%
On income exceeding 150,000 but not exceeding 200,000	9%
On income exceeding 200,000	10%

3. That the following income shall not be liable to surtax, either—

(a) all income up to five thousand dollars; or

(b) "earned income" up to but not exceeding fourteen thousand dollars; or

(c) income equal in amount to the sum of the exemption and allowances for dependents to which a person is actually entitled under the said act; whichever is the highest.

4. That (a) in determining "earned income" the amount of any salary or bonus shall be subject to adjustment commensurate with the services rendered and any amounts in excess of such adjustment shall be regarded as "investment income";

(b) where an expense is common to both "earned" and "investment" income the expense shall be apportioned.

5. That the corporation rate of tax be increased from 12½ per cent to 13½ per cent.

6. That consolidated returns be not permitted except in cases where a subsidiary company is wholly owned by another company (directors'

qualifying shares excepted); is in the same general class of business; the fiscal periods of the companies are co-incident; and both companies are operating in Canada, and under such other regulations as may be prescribed. When consolidation is permitted the corporation rate of tax on such returns shall be increased from 13½ per cent to 15 per cent.

7. That dividends received by shareholders be taxed by an allowance for depletion of 20 per cent in lieu of the present allowance.

8. That depletion allowance to be allowed to mining companies, the principal product of which is gold and silver, shall be 33½ per cent in lieu of the present allowance.

9. That a tax of five per centum be imposed at the source on all royalties payable by Canadian debtors in respect of books, music and articles in magazines, to non-residents of Canada. The 12½ per cent deduction to be abolished in respect of the foregoing.

10. That a tax be imposed upon gifts inter vivos at the following rates, unless the income from such gift continues to be taxed against the donor, as provided for in the act;

Exceeding \$ 25,000 but not exceeding \$ 50,000	2%
Exceeding 50,000 but not exceeding 100,000	3%
Exceeding 100,000 but not exceeding 200,000	4%
Exceeding 200,000 but not exceeding 300,000	5%
Exceeding 300,000 but not exceeding 400,000	6%
Exceeding 400,000 but not exceeding 500,000	7%
Exceeding 500,000 but not exceeding 1,000,000	8%
Exceeding 1,000,000	9%
	10%

Provided that the rate be not applicable to gifts in the aggregate of \$1,000 or less in any one year.

11. That amounts charged by any company or organization outside of Canada to Canadian companies in respect of management fees, services, use of patents, processes or formulae used in Canada, shall not be allowed as a deduction if the non-resident controls the Canadian company through the holding of shares, by affiliation with other companies, by agreement, or in any other manner.

12. That in respect of any taxpayer claiming reciprocal relief for taxes paid in Great Britain or any foreign country, such taxpayer shall not be allowed as against profits taxable in Canada the losses sustained in any such country.

13. That the amount received from income bonds or debentures shall be deemed to be a dividend for the purposes of the act and shall not be a deduction before determining the taxable income of the corporation paying any amount in respect of such income bonds or debentures.

14. That any enactment founded on the foregoing resolutions shall be deemed to have come into force at the commencement of the 1934 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods, with the following exception:

(a) As to any mining company, the principal product of which is gold, which has contributed to the tax on the premium value of gold as enacted by Part XV of the Special War Revenue Act, any enactment founded on resolution No. 8 shall be deemed to have come into force at the commencement of the 1935 taxation period and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods.

(b) That any enactment founded on resolution No. 10 shall be deemed to have come into force at the commencement of the 1935 taxation period and shall be applicable thereto and to subsequent periods.

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to amend the Special War Revenue Act and to provide:

1. That Schedule I to the said act, as amended by section twenty-six of chapter fifty of the Statutes of 1932-33 be amended by adding thereto the following words:

"Devices commonly or commercially known as lighters, which produce sparks, flame or heat, n.o.p., 20 per cent.

Such devices when combined with pencils, cigarette or other cases, on the combined value, 10 per cent."

2. That Schedule III to the said Act, as enacted by section eighteen of chapter forty-two of the Statutes of 1934, be amended by adding to or inserting therein the following words:

"grain or seed cleaning machines; pit props and packwood for use exclusively in mines; casein."

3. That Schedule IV to the said Act, as enacted by section twenty-nine of chapter fifty of the Statutes of 1932-33, be amended by adding thereto the following words:

"Articles manufactured or produced by the labour of the deaf and dumb in institutions in Canada established for their care, or under the control or direction of such institutions."

4. That Schedule V of the said Act, as enacted by section nineteen of chapter forty-two of the Statutes of 1934, be amended by adding thereto the words "goods enumerated in Customs Tariff Item 692."

5. That the said Act be further amended by repealing subsection two of section eighty-seven thereof, as enacted by section twelve of chapter fifty-four of the Statutes of 1931.

6. That the said Act be further amended by repealing subsection two of section eighty-eight thereof, as enacted by section twelve of chapter fifty-four of the Statutes of 1932, and subsection three of the said section eighty-eight, as enacted by section ten of chapter forty-two of the Statutes of 1934 and substituting for the two said subsections the following subsection:

"2. The tax imposed by this section shall not apply to the articles enumerated in Schedule V to this Act nor to any goods imported into Canada which are entitled to entry under the British Preferential Tariff or under trade agreements between Canada and other British countries."

7. That any enactment founded on paragraphs one to six of this Resolution shall come into force on the twenty-third day of March, one thousand nine hundred and thirty-five.

EXCISE ACT

Resolved, That it is expedient to amend the Excise Act 1934, and to provide:

That section one of the Schedule to the said Act be amended by striking out the words "seven dollars" in the second line thereof and substituting therefor the words "four dollars", and to provide, further, that in the event of any duty imposed under this Act upon spirits, malt or beer having been reduced, if it is made to appear to the Governor in Council that in any province the prices of spirituous or malt liquors to the consumer have not been reduced to, or are not being maintained at, levels which will give the consumer the full benefit of any such reduction, the Governor in Council may order that such reduction shall be no longer in effect and, upon publication of such order in the Canada Gazette, the full rates of duty theretofore payable on such goods shall again be in force and effect.

That any enactment founded on this Resolution shall come into force on the twenty-third day of March, one thousand nine hundred and thirty-five.

CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first session), chapter three of the Acts of 1930 (second session), chapter thirty of the Acts of 1931, chapters six and

thirty-seven of the Acts of 1932-33, and chapters thirty-two and forty-nine of the Acts of 1934, be further amended by adding to section 4 thereof the following subsections:

(i) from time to time, grant the most favoured foreign nation treatment to any British country or to any territory administered under a mandate of the League of Nations by any British country; and from and after the date specified in the order in council the most favoured foreign nation treatment shall apply to goods the produce or manufacture of such British country or mandated territory, subject to the provisions of this Act;

(j) from time to time, withdraw the most favoured foreign nation treatment from any British country or any territory administered under a mandate of the League of Nations by any British country to which it has been extended; and from and after the date specified in the order in council the most favoured foreign nation treatment shall cease to apply to goods the produce or manufacture of such British country or mandated territory, subject to the provisions of this Act.

2. Resolved, That the aforesaid section 4 be further amended by adding thereto the following subsection:

(4)A.—For the purposes of this Act, the Netherlands Indies, Surinam and Curacao shall be regarded as comprising one country with the Netherlands.

3. Resolved, That the aforesaid customs tariff be further amended by deleting from section 11 thereof the words "reductions on Canadian products" and by substituting in lieu thereof the word "concessions."

4. Resolved, That the aforesaid customs tariff be further amended by adding thereto the following section, as section 18 thereof:

(18) In the event of any duty imposed under this Act upon spirituous or alcoholic liquors having been reduced, if it is made to appear to the governor in council that in any province the prices of such goods to the consumer have not been reduced to, or are not being maintained at, levels which will give the consumer the full benefit of any such reduction, the governor in council may order that such reduction shall be no longer in effect and, upon publication of such order in the Canada Gazette, the full rates of duty theretofore payable on such goods shall again be in force and effect.

5. Resolved, That Schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the Acts of 1928, chapter thirty-nine of the Acts of 1929, chapter thirteen of the Acts of 1930 (first session), chapter three of the Acts of 1930 (second session), chapter thirty of the Acts of 1931, chapter forty-one of the Acts of 1932, chapters six and thirty-seven of the Acts of 1932-33, and chapters thirty-two and forty-nine of the Acts of 1934, be further amended by striking thereout tariff items 28, 28a, 39, 99c, 101b, 156, 156a, 159, 164 (a and b), 169, 180c, 187a, 208a (i), 242, 255, 281a, 326, 384, 386 (k), 388, 388b, 401 (d), 407, 407a, 413a, 424, 434, 435, 438f, 440l, 451, 464b, 475b, 522d, 542b, 546, 547, 554b, 554e, 571a, 572, 598, 603, 609, 621, 624a, 650a, 682, 691, 696, and 783, the several enumerations of goods respectively and the several rates of duties of Customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:

Tariff Items		British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
28	Coffee, green, imported direct from the country of growth and produced in the United Kingdom.....per pound Provided, that coffee, green, shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such coffee has been produced wholly in the British dominions, colonies or possessions, and not otherwise.	Free	3 cts.	3 cts.	Free	3 cts.	3 cts.
28a	Tea, imported direct from the country of growth and produced or purchased in bond in the United Kingdom.....per pound When in packages weighing five pounds, each, or less, the weight of such packages to be included in the weight for duty. Provided, that tea shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such tea has been produced wholly in the British dominions, colonies or possessions, and not otherwise. Starch, including corn starch, potato starch, potato flour and all preparations having the quality of starch, the weight of the package to be included in the weight for duty. ....per pound Provided that the Governor-in-Council may by Order-in-Council direct that there be substituted for Tariff Items 39 and 255 in Schedule A of the Customs Tariff, and the several rates of duties of Customs set opposite said Items in Schedule A, the following: Starch, n.o.p.; British gum, and dextrine, dry; dextrine substitutes and soluble or chemically treated starch.....per pound When in packages weighing two pounds each, or less, the weight of the package to be included in the weight for duty. From and after the publication of such Order-in-Council in the Canada Gazette, Tariff Items 39 and 255 as they respectively appear in the said Schedule at the time of the passing of this Act shall be repealed and the provisions of the said Tariff Item as it appears in the last preceding subsection of this section shall be substituted therefor.	4 cts.	8 cts.	8 cts.	4 cts.	8 cts.	8 cts.
		1 ct.	2 cts.	2 cts.	1 ct.	2 cts.	2 cts.
		3 cts.	1½ cts.	2 cts.			

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	The Governor-in-Council shall not direct that such provisions shall be substituted as alcohol unless until the Governor-in-Council is satisfied that dextrine is manufactured in substantial quantities in Canada from potato starch made in Canada.						
65a	Diabetic breads and biscuits, under regulations of the Department of Health.....	Free	7½ p.c.	10 p.c.	15 p.c.	22½ p.c.	25 p.c.
99c	Raisins and dried currants— (i) Until March 31, 1936..... per pound (ii) Thereafter..... per pound when in packages weighing two pounds each, or less, the weight of such packages to be included in the weight for duty.	Free Free	4 cts. 3 cts.	4 cts. 3 cts.	Free Free.	4 cts. 3 cts.	4 cts. 3 cts.
101b	Oranges, the produce of Palestine (when imported direct from the country of growth and production or from a country entitled to the benefits of the British Preferential Tariff) during the months of January, February, March and April.....			Free			Free
156	Ethyl alcohol, or the substance commonly known as alcohol, hydrated oxide of ethyl or spirits of wine, n.o.p.; gin of all kinds, n.o.p.; whisky and all spirituous or alcoholic liquors, n.o.p.; anyl alcohol or fusel oil, or any substance known as potato spirits or potato oil; methyl alcohol, wood alcohol, wood naphtha, pyroxylic spirit or any substance known as wood spirit or methylated spirits, absinthe, arrack or palm spirit, brandy, including artificial brandy and imitations of brandy, n.o.p.; cordials and liqueurs of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafta, angostura and similar alcoholic bitters or beverages; and wines, n.o.p., containing more than forty per cent of proof spirit, per gallon of the strength of proof..... Provided, as to all goods specified in item No. 156 when of less strength than the strength of proof, that no reduction or allowance shall be made in the measurement thereof for duty purposes, below the strength of 15 per cent under proof.	\$5.00	\$10.00	\$10.00	\$8.00	\$10.000	\$10.00

150a	Rum, per gallon of the strength of proof,	\$5 00	\$10 00	\$10 00	\$8 00	\$10 00	\$10 00
	<p>Provided, (1) as to all goods specified in items No. 156 and No. 156a when of less strength than the strength of proof, that no reduction or allowance shall be made in the measurement thereof for duty purposes, below the strength of fifteen per cent. under proof.</p> <p>Provided, (2) that when the goods specified in these two items are of greater strength than the strength of proof, the measurement thereof and the amount of duty payable thereon shall be increased in proportion for any greater strength than the strength of proof.</p> <p>Provided, (3) that bottles and flasks and packages of gin, rum, whisky and brandy of all kinds, and imitations thereof, shall be held to contain the following quantities (subject to the provisions for addition or deduction in respect of the degree of strength), viz. :—</p> <p>Bottles, flasks and packages, containing not more than three-fourths of a gallon per dozen, as three-fourths of a gallon per dozen.</p> <p>Bottles, flasks and packages, containing more than three-fourths of a gallon but not more than one gallon per dozen, as one gallon per dozen;</p> <p>Bottles, flasks and packages, containing more than one gallon but not more than one and one-half gallon per dozen, as one and one-half gallon per dozen;</p> <p>Bottles, flasks and packages, containing more than one and one-half gallon but not more than two gallons per dozen, as two gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than two gallons but not more than two and four-fifths gallons per dozen, as two and four-fifths gallons per dozen;</p> <p>Bottles, flasks and packages, containing more than two and four-fifths gallons but not more than three gallons per dozen, as three gallons per dozen;</p> <p>Pottles, flasks and packages, containing more than three gallons but not more than three and one-fifth gallons per dozen, as three and one-fifth gallons per dozen.</p> <p>Provided, (4) that bottles or phials of liquors for special purposes, such as samples not for sale to the trade, may be entered for duty according to actual measurement, under regulations prescribed by the Minister.</p>						

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	(General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
159	Spirits and strong waters of any kind, mixed with any ingredient or ingredients, as being or known or designated as essences, extracts, or ethereal and spirituous fruit essences, n.o.p. per gallon	\$5.00 30 p.c.	\$10.00 30 p.c.	\$10.00 30 p.c.	\$8.00 30 p.c.	\$10.00 30 p.c.	\$10.00 30 p.c.
164	(a) Wines of the fresh grape of all kinds, except sparkling wines, imported in barrels or in bottles, containing less than 35 per cent proof spirit, when the produce of Australia, New Zealand or the Union of South Africa per gallon (b) Wines of all kinds, except sparkling wines, imported in barrels or in bottles, containing 35 per cent or over but not more than 40 per cent proof spirit, when the produce of Australia, New Zealand or the Union of South Africa per gallon	25 cents 55 cents			25 cts. 55 cts.		
	Provided that six quart bottles or twelve pint bottles be held to contain a gallon for duty purposes under this item. Books, viz.:—Novels or works of fiction, or literature of a similar character, unbound or paper bound or in sheets, but not to include Christmas annuals, or publications commonly known as juvenile and toy books.....	Free	22½ p.c.		15 p.c.	22½ p.c.	25 p.c.
178c	Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets. All articles in this item, when produced in countries entitled to the British Preferential Tariff and relating exclusively to products of such British countries, but not relating to Canadian products.....	Free					
180c	Decalcomania transfers, when imported exclusively for use in the manufacture of vitreous enamelled products or of tableware of china, porcelain or semi-porcelain.....	Free	10 p.c.				
187a	Hypersensitive or supersensitive panchromatic films and infra-red films, unexposed, for aerial photography.....	Free	10 p.c.				
197c	Cigarette paper, ungummed, in rolls.....	10 p.c.	22½ p.c.				
198b	Cigarette paper, gummed, in rolls.....	10 p.c.	32½ p.c.				
					per lb. 5 cts.		
		Free			Free	10 p.c. 22½ p.c.	12½ p.c. 22½ p.c.
		Free			Free	10 p.c. 25 p.c. 22½ p.c. 32½ p.c.	15 p.c. 30 p.c. 25 p.c. 35 p.c.

199d	Cigarette papers, gummed or not, in tubes, booklets or packets.....	17½ p.c.	32½ p.c.	35 p.c.	22½ p.c.	32½ p.c.	35 p.c.
199e	Caps or hoods of paper, for use exclusively in protecting young plants in field or garden.....	Free	Free	Free	22½ p.c.	32½ p.c.	35 p.c.
208a	(Chloride of lime and hypochlorite of lime— 1 When in packages of not less than twenty-five pounds we eight each per one hundred pounds ground in order to form, when mixed with cold water, an adhesive paste.....	Free	15 cts.	15 cts.	10 cts.	15 cts.	15 cts.
232e	Cereal or starch products which require only to be ground in order to form, when mixed with cold water, an adhesive paste.....	3/5 ct.	1½ cts.	2 cts.	15 p.c.	25 p.c.	25 p.c.
242	Dry red lead; orange mineral; antimony oxide, titanium oxide and zinc oxide such as zinc white and lithopone, white pigments containing not less than 14 per cent by weight of titanium.....	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
247a	Artists' and school children's colours, n.o.p., in tubes, cakes, pans and pastels, for painting in oils, water colours or pastels, under regulations prescribed by the Minister.....	Free	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
255	British gum, and dextrine, dry.....	5 p.c.	7½ p.c.	10 p.c.	5 p.c.	7½ p.c.	10 p.c.
281a	Fire brick, n.o.p., for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment.....	Free	12½ p.c.	15 p.c.	10 p.c.	12½ p.c.	15 p.c.
326	Glass demijohns or carboys, bottles, n.o.p., decanters, flasks, phials, glass jars and glass balls, lamp chimneys, glass shades or globes; cut, pressed, moulded or crystal glass tableware, decorated or not, blown glass tableware and other cut glass ware.....	15 p.c.	30 p.c.	32½ p.c.	20 p.c.	30 p.c.	32½ p.c.
362b	Toilet articles of all kinds, including atomizers, brushes, buffers, button hooks, combs, cuticle knives, hair receivers, hand-mirrors, jewel boxes, manicure scissors, nail files, perfume bottles, puff jars, shoe horns, trays and tweezers, of which the manufactured component material of chief value is sterling silver.....	17½ p.c.	37½ p.c.	45 p.c.	30 p.c.	37½ p.c.	45 p.c.
					17½ p.c.	22½ p.c.	30 p.c.
					20 p.c.	20 p.c.	30 p.c.
					20 p.c.	20 p.c.	30 p.c.
					10 p.c.	35 p.c.	35 p.c.
					Free	30 p.c.	30 p.c.
					Free	30 p.c.	30 p.c.
380	(d) With chequer, diamond or other raised pattern on contact surface.....	Free	\$8 00	\$8 00	\$4 25	\$8 00	\$8 00
384	Skelp, of iron or steel, hot rolled, when imported by manufacturers of pipes and tubes for use exclusively in the manufacture of pipes and tubes, in their own factories, under regulations prescribed by the Minister.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
	(a) Not more than 14 inches in width.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
	(b) More than 14 inches in width.....	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	<p>The Governor in Council may by Order in Council direct that there be substituted for tariff item 384 in Schedule A of the Customs Tariff, and the several rates of duties of Customs set opposite said item in Schedule A, the following:</p> <p>Skelp of iron or steel, hot rolled, when imported by manufacturers of pipes and tubes for use exclusively in the manufacture of pipes and tubes, in their own factories, under regulations prescribed by the Minister:</p> <p>(a) Not more than 14 inches in width.....</p> <p>(b) More than 14 inches in width.....</p> <p>From and after the publication of such Order in Council in the Canada Gazette, tariff item 384 as it appears in said Schedule at the time of the passing of this Act shall be repealed and the provisions of the said tariff item as it appears in the last preceding subsection of this section shall be substituted therefor.</p> <p>The Governor in Council shall not direct that such provisions be substituted as aforesaid unless and until the Governor in Council is satisfied that skelp of iron or steel, hot rolled, is manufactured in substantial quantities in Canada from iron or steel made in Canada.</p> <p>(k) Sheets, hot or cold rolled, when imported by manufacturers of hollow-ware coated with vitreous enamel or of apparatus designed for cooking or for heating buildings, for use exclusively in the manufacture of hollow-ware coated with vitreous enamel or of vitreous-enamelled sheets for apparatus designed for cooking or for heating buildings</p> <p>(r) Strip, cold rolled, when imported by manufacturers of pipes and tubes, for use exclusively in the manufacture of pipes and tubes, in their own factories, under regulations prescribed by the Minister.....</p>	5 p.c. 5 p.c.	10 p.c. 10 p.c.	12½ p.c. 12½ p.c.	5 p.c. 5 p.c.	10 p.c. 10 p.c.	12½ p.c. 12½ p.c.
386		Free	10 p.c.	12½ p.c.	Free 7½ p.c.	10 p.c. 20 p.c.	12½ p.c. 20 p.c.
388	<p>Iron or steel angles, beams, channels, columns, girders, joists, tees, zees and other shapes or sections, not punched, drilled or further manufactured than hot rolled, weighing not less than 35 pounds per lineal yard, n.o.p.: piling of iron or steel, not punched or drilled, weighing not less than 35 pounds per lineal yard, including interlocking sections, if any, used therewith, n.o.p. per ton</p>	Free	5 p.c.	5 p.c.	Free	5 p.c.	5 p.c.
		Free	\$3.00	\$3.00	Free 25 p.c.	\$3.00 35 p.c.	\$3.00 40 p.c.

388b	Iron or steel angles, beams, channels, columns, girders, joists, tees, zees and other shapes or sections, not punched, drilled or further manufactured than hot rolled, n.o.p.; piling of iron or steel, not punched or drilled, including interlocking sections, if any, used therewith, n.o.p.	\$7.00	\$7.00	\$1.00 25 p.c.	\$7.00 35 p.c.	\$7.00 40 p.c.
390c	Piston ring castings of steel, in the rough as from the foundry	Free	25 p.c.	15 p.c.	25 p.c.	27½ p.c.
401	(d) Coated with zinc or spelter, curved or not, in coils, .144, .104 or .066 inch in diameter, with thickness not to exceed .004 inch, and not for use in telegraph or telephone lines, n.o.p.	Free	10 p.c.	Free	10 p.c.	10 p.c.
402c	Wire of iron or steel, coated with zinc or spelter, curved or not, in coils, not more than .144 inch and not less than .080 inch in diameter, with tolerance not to exceed .004 inch, when imported by manufacturers of barbed fencing wire or of wire fencing for use exclusively in the manufacture of barbed fencing wire or of wire fencing, in their own factories	Free	10 p.c.	10 p.c.	20 p.c.	20 p.c.
407	Sheet chain and finished roller chain, of iron or steel, and complete parts thereof, of a class or kind not made in Canada, n.o.p., either chain of the type which operates over gears or sprockets with intermediate teeth	Free	20 p.c.	25 p.c.	20 p.c.	25 p.c.
407a	Chains, of iron or steel, n.o.p., and complete parts thereof	20 p.c.	30 p.c.	35 p.c.	35 p.c.	35 p.c.
410b	Coal rack release apparatus, for use in coal mines to facilitate the safe removal of blocks forming the roof support	Free	10 p.c.	10 p.c.	27½ p.c.	35 p.c.
413a	Machinery, of a class or kind not manufactured in Canada, and complete parts thereof, for use in the manufacture of nets or netting for the fisheries, when imported by manufacturers for use exclusively in the making of such nets or netting, in their own factories, but not for use in making nets or netting commonly used for sportsmen's purposes	Free	5 p.c.	10 p.c.	5 p.c.	10 p.c.
424	Fire engines and other fire extinguishing machines and complete parts thereof	10 p.c.	30 p.c.	35 p.c.	30 p.c.	35 p.c.
424a	Hand fire extinguishers, and sprinkler heads for automatic sprinkler systems for fire protection	22½ p.c.	30 p.c.	35 p.c.	30 p.c.	35 p.c.
427d	Machines designed for making rigid composite box-ends of wood—consisting of a centre with separate nailing edges attached—from scrap or waste mill stock, and complete parts thereof, not to include motive power	Free	27½ p.c.	25 p.c.	27½ p.c.	35 p.c.
428e	Diesel and semi-diesel engines, and complete parts thereof	Free	25 p.c.	15 p.c.	25 p.c.	30 p.c.
428f	Air-cooled internal combustion engines of not greater than 1½ h.p. rating, and complete parts thereof	Free	25 p.c.	15 p.c.	25 p.c.	30 p.c.
434	Locomotives and motor cars for use on railways, and tops, wheels and bodies for the same, n.o.p.; chassis for locomotives, n.o.p.	15 p.c.	20 p.c.	35 p.c.	30 p.c.	35 p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
434a	Chassis for motor cars for use on railways, and complete parts thereof, n.o.p.	Free	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
434b	Pressed steel wheels for use on railway rolling stock	7½ p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
435	Locomotives and motor cars for railways, of a class or kind not made in Canada, for use exclusively in mining or metallurgical operations	Free	15 p.c.	20 p.c.	15 p.c.	27½ p.c.	30 p.c.
438f	Motor omnibuses for conveying passengers only, having seating capacity for not less than ten persons, and chassis for same; chassis for electric (trackless) trolley-buses, and complete parts thereof	Free	30 p.c.	40 p.c.	Free	30 p.c.	40 p.c.
4401	Aircraft and complete parts thereof, not including engines, under regulations prescribed by the Minister	Free	25 p.c.	27½ p.c.	15 p.c.	27½ p.c.	30 p.c.
451	Buckles, clasps, eyelets, hooks and eyes, dome, snap or other fasteners of iron, steel, brass or other metal, coated or not, n.o.p. (not being jewellery)	Free	25 p.c.	27½ p.c.	10 p.c.	25 p.c.	27½ p.c.
451e	Slide or hookless fasteners	20 p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
475b	Matrices for stereotypes, electrotypes and celluloids described in item 475a, per square inch	30 p.c.	37½ p.c.	40 p.c.	20 p.c.	27½ p.c.	30 p.c.
506b	Wooden doors of a height and width not less than 6 feet and 2 feet, respectively	Free	½ ct.	½ ct.	½ ct.	½ ct.	½ ct.
5221	Yarns and warps wholly of cotton, mercerized, number forty and finer, imported, under regulations prescribed by the Minister, for sale to manufacturers, to be further manufactured in their own factories	Free	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
530	Lace and embroideries, wholly of cotton, coloured, imported by manufacturers for use exclusively in the manufacture of clothing in their own factories and	Free	25 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
542b	Linen fire-hose, lined or unlined	7½ p.c.	17½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
546	Articles made from fabrics, finished or unfinished, and all textile manufactures, wholly of jute, n.o.p., fabrics wholly of jute, coated or impregnated, and jute fabric backed with paper, per pound	25 p.c.	32½ p.c.	35 p.c.	2 cts.	3½ cts.	4 cts.
547	Bags or sacks of hemp, linen or jute	12½ p.c.	25 p.c.	30 p.c.	12½ p.c.	25 p.c.	30 p.c.
554b	Woven fabrics composed wholly or in part of yarns of wool or hair, n.o.p., per pound	15 p.c.	17½ p.c.	20 p.c.	25 p.c.	30 p.c.	35 p.c.
	Provided, however, that the sum of the specific and <i>ad valorem</i> duties imposed by this item on	27½ p.c.	35 p.c.	40 p.c.	3 cts.	and per pound 3½ cts.	4 cts.
		17 cts.	30 cts.	35 cts.	15 p.c.	17½ p.c.	20 p.c.
					27½ p.c.	35 p.c.	40 p.c.
					18½ cts.	30 cts.	35 cts.

imports under the British Preferential Tariff					
553a	Melton cloth, imported by manufacturers of tennis balls for use in the manufacture of tennis balls, in their own factories.....	Free	40 p.c. 35 cts.	27½ p.c. 18½ cts.	40 p.c. 35 cts.
554b	Slipper cloth, woven, napped on one or both sides, wholly or in part of wool, not to contain silk or artificial silk, weighing not less than 22 ounces per square yard, when imported by manufacturers of indoor footwear, to be used exclusively in the manufacture of such articles in their own factories, and..... per pound	Free	35 p.c. 30 cts.	27½ p.c. 18½ cts. 15 p.c.	40 p.c. 35 cts. 25 p.c.
571a	(carpeting, rugs, mats and matting of cocoa fibre....	30 p.c.	37½ p.c.	but not less than, per sq. ft. 10 cts.	10 cts.
572	Oriental and imitation Oriental rugs or carpets; carpeting, carpets and rugs, n.o.p.— (a) If valued at less than two dollars per square yard.....	30 p.c. 3 cts.	40 p.c. 20 cts.	30 p.c. 5 cts.	40 p.c. 20 cts.
598	and..... per square foot	30 p.c.	40 p.c.	30 p.c.	40 p.c.
605	(b) If valued at two dollars or more per square yard.....	5 cts.	20 p.c.	5 cts.	20 cts.
	Brass band instruments, n.o.p.; parts of pianofortes and parts of organs.....	Free	25 p.c. 15 p.c.	15 p.c. 10 p.c.	25 p.c. 15 p.c.
	Fur skins, wholly or partially dressed, n.o.p.....	10 p.c.	22½ p.c. 15 p.c.	22½ p.c. 15 p.c.	25 p.c. 15 p.c.
	Provided, that the duty on hare or rabbit skins, under the Intermediate or General Tariff, shall be not less than..... per dozen skins	72 cts. 30 p.c.	72 cts. 35 p.c.	20 p.c.	35 p.c.
609	Belting, of leather.....	10 p.c.			
621	Bases or salts of thorium or of cerium, not including natural minerals, for use in the manufacture of incandescent gas mantles, when imported by manufacturers of such mantles or of stockings for such mantles.....	Free	Free	Free	Free
624a	(i) Dolls; toys of all kinds, n.o.p.....	20 p.c.	40 p.c.	15 p.c.	22½ p.c.
	(ii) Mechanical toys of metal.....	10 p.c.	40 p.c.	20 p.c.	40 p.c.
	(iii) Juvenile construction sets of metal, consisting of various stampings, punched, and connections therefor; parts of the foregoing.....	Free	40 p.c.	30 p.c.	40 p.c.
626a	Button blanks of animal shell, in the rough.....	Free	40 p.c.	20 p.c.	40 p.c.
682	Fish hooks, for deep-sea or lake fishing, not smaller in size than number 2-0; fishing nets and nettings, of all kinds; threads, twines, marlines, fishing lines, rope and cordage of cotton, hemp, manila or other vegetable fibre, not exceeding one and one-half inches in circumference, to be used for fishing purposes or for the construction or repair of fishing nets; the foregoing not to include such articles used for	Free	10 p.c.	Free	10 p.c.

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
691	sportsmen's purposes, and to be subject to such regulations as the Minister may prescribe.....	Free	Free	Free	Free 20 p.c.	Free 22½ p.c.	Free 25 p.c.
696	Communion sets of metal, glass, wood or other material; oil stocks; crosiers; benitier and sprinkler; incenser and incense boat; baptismal shells and fonts..... Philosophical and scientific apparatus, utensils, instruments, and preparations, including boxes and bottles containing the same; maps, photographic reproductions, casts as models, animals as research or experimental subjects, etchings, lithographic prints or charts; mechanical equipment of a class or kind not made in Canada. All articles in this item, when for the use and by order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any public hospital, college, academy, school, or seminary of learning in Canada, and not for sale, under regulations prescribed by the Minister.....	Free	Free	Free	Free 30 p.c. 20 p.c.	Free 37½ p.c. 30 p.c.	Free 45 p.c. 32½ p.c.
783	Internal combustion and steam engines, transmission assemblies, magnetos, starting motors, electric generators, propeller shafts, steel chassis frames, brakes, clutches, brake and clutch controls, steel road wheels, steel rims for pneumatic tires, larger than thirty inches by five inches, steering gears and front and rear axles, and complete parts of all the foregoing, all of a class or kind not made in Canada, when imported by manufacturers of motor trucks with standard equipment (not for use on railways or tramways), not to include machines or other articles mounted thereon or attached thereto for purposes other than for loading or unloading the truck, for use only in the manufacture of such motor trucks.....	Free	17½ p.c.	20 p.c.	Free 15 p.c. 15 p.c.	17½ p.c. 25 p.c. 27½ p.c.	20 p.c. 30 p.c. 35 p.c.

Resolved, that Schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking thereout Tariff Items 1044 and 1049, the enumerations of goods and the rates of draw-

back of Customs Duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of Customs Duties in said Schedule B:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1024	Rolled round wire rods in the coil, of iron or steel, not over .375 inch in diameter.	When used in the manufacture of wire of iron or steel, coated with zinc or spelter, curved or not, in coils, not more than .144 inch and not less than .080 inch in diameter, with tolerance not to exceed .004 inch, when such wire is used by manufacturers of barbed fencing wire or of wire fencing for use exclusively in the manufacture of barbed fencing wire or of wire fencing, in their own factories.....	99 p.c.
1039	Cotton velveteen and cotton-back silk-pile velvet.	When imported under the British Preferential Tariff and used exclusively in the manufacture of fancy boxes or cases	99 p.c.
1044	Fire brick.....	When used by manufacturers of iron or steel in the construction or repair of a blast furnace, open hearth furnace or rolling mill furnace.....	99 p.c.
1049	Bituminous coal, imported on or after March 23rd, 1935.	(a) When converted into coke and the coke sold for use as fuel in other than a coke or gas plant. (b) When converted into coke and the coke sold for use as fuel in other than a coke or gas plant; provided that not less than thirty-five per centum, by weight, of the bituminous coal so used, as covered by each drawback claim, was mined in Canada	50 p.c.
		Provided that drawback payable under this Item is in lieu of drawback payable under any other item.	99 p.c.

7. Resolved, that Schedule C to the Customs Tariff, as amended by chapter thirty-two of the Acts of 1934, be amended by striking thereout

Tariff Item 1212 and by substituting therefor the following:—

- 212 Aigrettes, egret plumes or so-called osprey plumes, and the feathers, quills, heads, wings, tails, skins, or parts of skins of wild birds either raw or manufactured; but this provision shall not apply to:—
- (a) the feathers or plumes of ostriches;
 - (b) the plumage of the English pheasant and the Indian peacock; the plumage of wild birds of groups recognized as game birds in any Canadian game law, and for which an open season is provided thereunder;
 - (c) the plumage of birds imported alive; nor to—
 - (d) specimens imported under regulations of the Minister for any Natural History or other museum or for scientific or educational purposes.

8. Resolved, that any enactment founded on the foregoing resolutions to amend the Customs Tariff or Schedules thereto shall be subject to have no effect on the twenty-third day of March, one thousand nine hundred and thirty-five, and to have applied to all goods

mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

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1936

BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING

MINISTER OF FINANCE

MEMBER FOR QUEENS, PRINCE EDWARD ISLAND

IN THE

HOUSE OF COMMONS

MAY 1, 1936



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1936

BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, FRIDAY, MAY 1,

1936

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, I rise to address you to-day, sir, not only with a due sense of the high privilege which is mine, but also with a deeper sense of grave responsibility than I have ever felt before. In times such as these through which we are passing, the responsibility of endeavouring to place before the house and the people of this country a clear and complete statement of the economic position of Canada, the facts regarding our governmental finances, and proposals for meeting the situation thus revealed for the present fiscal year, is unusually great. I know I shall not ask in vain for the sympathetic attention of all my fellow members, although the presentation of figures will inevitably be rather trying to the patience of the house.

Before dealing with the government accounts I propose to survey briefly the recent trends of business and trade in Canada.

BUSINESS AND TRADE REVIEW

The most welcome feature in the fiscal year which has just closed has been what it indicates of a movement toward recovery. I do not wish to exaggerate the extent of that recovery, for to those who are charged with responsibilities of government in these hard days the distance yet to go and the problems still to be solved are the features of our economic record which are most impressive—and at the same time most distressing. Nevertheless, one cannot view the picture broadly without realizing that improvement—however gradual—is real and steady, and that the general undertone is one of definite strength.

In spite of prevailing uncertainties in the international political outlook and the persistence of extreme nationalistic policies, the pressure of the economic forces making for recovery continues. These forces may be retarded but they appear now to be sufficiently powerful to make continuing progress, unless war, the great destroyer, should again intervene.

Analysis of the Canadian figures indicates that our past gains are being consolidated and that the upward swing of the business cycle is currently establishing higher levels of activity generally throughout the industrial and commercial field. The index of the physical volume of business compiled by the Dominion Bureau of Statistics to indicate the broad movements of economic activity, stood at 103.3 in March of this year as compared with 94.2 for March of last year. This is an improvement of approximately 10 per cent. However, to appreciate fully the significance of this improvement, one should compare the present level of 103.3 with the figure 67.0 which was the level recorded at the low point of the depression in February, 1933. In other words, the increase during this period has been over 54 per cent. The average level of this index in each of the past three calendar years was 79.7, 94.2 and 102.4. These increases are impressive, particularly when one recalls that this index measures the physical volume of output in nearly all our leading industries as well as freight traffic on our railways, building activity and domestic trade.

While I desire to avoid complicated statistics as far as possible, it is necessary to refer to the progress made by a few of the more important Canadian industrial groups.

MANUFACTURING

For the first three months of this calendar year, 1936, manufacturing of all kinds showed an average expansion of 8.5 per cent over the first quarter of 1935. Within this broad field, the substantial improvement in the output of

the primary iron and steel industry is particularly heartening. In the latter half of 1935, this industry showed striking advances, steel output increasing 23 per cent and pig iron 48 per cent over 1934, and the improvement was continued during the first quarter of 1936, notably in January. This, in itself, is important, but it is especially significant as indicating a broadening out of the recovery movement into the heavy or durable goods industries. The construction industry, while still operating on abnormally low levels, enjoyed substantial percentage gains in 1935 over 1934, and the present outlook for building appears to be the best in several years.

FORESTRY

The forestry group of industries showed marked expansion in 1935. Lumber production on the Pacific coast was about 20 per cent greater than in 1934 and reached the highest point since 1929. Shingles found better markets abroad and exports increased 96 per cent. The newsprint industry, although still beset with abnormally low prices and financial difficulties, increased production to new record levels. Perhaps the most satisfactory evidence of improvement in this whole group of industries is found in the increase of employment afforded by the industry—8 per cent in lumbering and 4 per cent in pulp and paper plants.

MINING

The mineral industry continues to establish new records of output. Canada's mineral output, valued at over 308 million dollars in 1935, recorded a gain of 11 per cent over the previous year and was only 1 per cent below the record year 1929 when prices for most metals were higher. Production of gold, copper, nickel, zinc and several of the minor metals made new high records. Total output of gold amounted to 3,283,000 fine ounces with a total value at current market prices of nearly \$115,000,000. Increase in mineral output continued unabated during the first quarter of this year. In February, for instance, the export of copper was greater than in any other February, and exports of nickel exceeded any other month in history, the bureau's index standing at 490.2 as compared with 317.9 in February, 1935.

AGRICULTURE

Unfortunately, our most important primary industry cannot boast such results. Agriculture has again suffered from climatic hazards, restricted markets and low prices. According to the bureau's estimates, total farm revenue in 1935 amounted to \$943,081,000, an increase

of less than one per cent as compared with the previous year. Most disappointing was an 8 per cent decline in the value of the principal field crops, chiefly as a result of the price factor. Wheat prices were generally higher than in 1934, but the low grading resulting from rust and frost reduced the value of the crop to about that of the previous year. Increases in yield of oats and barley were more than offset by reduced prices. On the other hand, the contribution of animal products to farm purchasing power more than made up for the loss in field crops. The live stock industry showed considerable improvement. Higher marketings of cattle and better prices increased the value of live stock sales in 1935 by 22 per cent. Milk prices improved somewhat and exports of hog products to Great Britain expanded. The prairie provinces shared in the better returns from cattle and milk and a more uniform distribution of farm income prevailed than in 1934. In this connection I may point out that the advantages of access to wider markets to the south are already being realized. Three months' operation of the recent trade treaty offers evidence of its value to the farmers of this country. Every step which helps to provide markets for agriculture brings nearer that day when the Canadian farmer, receiving more for his products than it costs to produce them, will once more provide, through the stimulus of his purchasing power, a sound basis for national prosperity.

EMPLOYMENT

My colleague, the Minister of Labour (Mr. Rogers), has recently placed on Hansard comprehensive statistics in regard to the numbers of unemployed in various classifications. One of the most disappointing features of the business improvement so far is that the numbers of those on relief do not decline at the same pace as business activity recovers. The causes of this are chiefly to be found in the continuing growth of population bringing annually a new supply of workers into the industrial field, the customary initial effects of invention of new machines and processes, the gradual decline in the number of those unemployed or dependent who are taken care of by charity or by relatives, and the surplus labour power employed by many corporations which preferred to retain redundant staff or to work short time rather than to dismiss employees during the years of depression.

While for these reasons, expanding employment makes only slow progress in reducing the numbers on the relief rolls, nevertheless the increase in employment appears to be real

and substantial. The bureau of statistics tabulates monthly statements on employment from over 9,000 of the larger firms engaged in manufacturing, logging, mining, transportation, communications, construction and maintenance, services and trade, and employing some 45 per cent of the total persons at work in all industries. From 93.4 on April 1, 1935, the index for all industries rose to a peak of 107.7 on November 1, an increase of 15.3 per cent, and with the usual seasonal decline during the winter months the index stood at 97.4 on April 1 this year, an increase of 4.3 per cent over April 1 a year ago. The index for manufacturing industries rose 10.2 per cent from April to November and on April 1 this year was still about 8 per cent above the level of the same date in 1935.

Supplementing this information it is encouraging to note from data published by the Department of Labour that remuneration to wage earners in 1935 was greater than in 1934 as a result of increases in various industries and localities. Part time and short time work were less prevalent. In logging, wages advanced generally throughout the maritime provinces and Quebec, while in Ontario and British Columbia rates had risen considerably in 1934. In coal mining, wages increased appreciably in Nova Scotia and Alberta, and there were some increases in metal mining wages. Improvement was also witnessed in manufacturing, particularly in clothing and furniture factories. Rates were raised in the construction trades in Quebec and Ontario, and railway wage rates also increased. Long-shoremen's wages rose in most of the ocean ports and in some of the lake ports. Common factory labour was up 2.4 per cent, miscellaneous factory trades 2.3 per cent, and logging and sawmilling 5 per cent.

One of the most important signs of a more healthy business condition is that industrial and commercial earnings are continuing to show improvement. An analysis of the record of earnings of 241 leading Canadian corporations discloses that net earnings are about 8 per cent greater for the latest fiscal year than for the previous fiscal period. When business is showing an increasing scale of earnings there are excellent grounds for anticipating further industrial and commercial improvement with increased volume of employment.

A very interesting feature of our Canadian economy is the remarkable degree of stability in the price level during the last two years. For March the bureau's index was 72.4 as compared with 71.9 a year ago, and since February, 1935, the range of variation from the line of 72 per cent of the average level

of prices during 1926 has been extremely small. Further progress, however, was made during the year in correcting some of the disparities between various types of prices created by the drastic fall in the price level during the early years of the depression. One important feature of this corrective process was that farm product prices, particularly the prices of animal products, improved more rapidly than the general level. It is of vital importance that this corrective process should continue.

INTEREST RATES

One price whose falling tendency is watched with considerable enthusiasm in many quarters is the cost of money; in other words, the rate of interest. In this case, of course, the decline is a favourable factor. This factor is usually measured by the yield on long term bonds. The bureau computes an index of the yield on long term Dominion of Canada bonds, using the average monthly yield for 1926 as the base or 100. The course of this index during the past year provides an interesting record of the investor's reaction to enactments or threatened enactments by provincial legislatures, to administrative decisions, to official pronouncements by radio or in the press or on the public platform, and to the manifold other hazards that may affect the capital markets. It bears eloquent testimony to the oft-repeated saying that capital is timid. Beginning at 70.9 in January the index of interest rates rose to 73.2 in February, dropped to 71.4 in March, rose to 72.2 in April, declined to 71.4 in May, rose to 73.4 in June, declined to 71.6 in August, then rose sharply to 79.8 in September, and thereafter with a slight interruption in December dropped steadily to 69.9 in March, the latest month for which the index is available. The March index is the lowest rate of interest figure recorded since the bureau began compiling this series in 1919 and probably represents the lowest yield on long term funds in the history of our country. Considering also the steady decline in the yield on our three-months treasury bills—our latest issue of these bills was sold on April 15th on a yield basis of approximately seven-eighths of one per cent—and I should interject here that another issue was sold yesterday at the slightly higher rate, if my memory serves me correctly, of just over nine-tenths of one per cent per annum—we have ample evidence of the progress which the dominion has made in securing that stimulus to economic recovery through low interest rates which has been so important a factor in the United Kingdom.

Unfortunately, these low rates are not available to all borrowers, particularly the most needy ones who are not usually considered the most credit-worthy. Nevertheless the low rates are beginning to permeate the interest rate structure as a whole. One evidence of this is the increasing volume of security flotations, not only by governments but also by private corporations, both for refunding and for new capital purposes. In 1935 the total volume of new issues offered has been estimated at 571 million dollars, an increase of 83 million dollars over 1934. Of this total, 325 million dollars were for refunding and the balance for new capital purposes. During the first quarter of this year, activity was greatly accelerated. In this period total new Canadian bond financing amounted to 241 million dollars, an increase of 180 million dollars over the first quarter of 1934. Of this total 70 million dollars were for refunding purposes. It is also significant that financing by corporations accounted for 105 million dollars or over 43 per cent of the financing of the first quarter of 1936 compared with 9 million dollars or less than 15 per cent for the first quarter of last year.

PROVINCIAL FINANCE

One factor retarding the full revival of confidence and the healthy functioning of the capital markets has been the cloud of uncertainty which has been overhanging the financial position of several of the provinces. It is revealing no secret to say that the credit of the four western provinces has been maintained during the last few years only by the financial support of the dominion. Despite the efforts—in some cases, the heroic efforts—of these provinces to cut expenditures and increase revenues, the burden of unemployment relief added to heavy interest charges on outstanding debt has been so heavy and the taxpaying ability of the people reduced so drastically by the economic conditions which prevailed that it has been impossible to provide out of taxes for the cost of unemployment relief, and even in some cases for a portion of ordinary governmental expenditures. In view, in part, of their own financial position and in part of conditions in the investment market, particularly in the early years of the depression, these provinces have not been able to borrow economically, in the public markets. Whether wisely or not, the dominion government of the day faced with what it regarded as an emergency problem, initiated the policy of making loans to these provinces in order to enable them to meet their share of relief costs, maturing obliga-

tions, and in some cases even ordinary governmental expenditures. As I shall show later, such loans now amount to \$116,500,000.

It has long been clear to everyone, I believe, that this process can not go on indefinitely. We are rapidly reaching—if we have not already reached—the impossible position where the dominion government will be the largest single creditor of these provincial governments. Moreover, if we continue this process of handing out funds without security and without control of any sort, we shall be in danger of undermining dominion credit, which, in my opinion, must be protected at all costs.

LOAN AND FINANCE COUNCILS

Recognizing the importance of this problem, the government has for the past six months been devoting a great deal of time and attention to working out a solution with the cooperation of the provinces. It was one of the major questions placed on the agenda of the dominion-provincial conference in December last, and initial discussions at this conference led to the appointment of a continuing committee on financial questions which held sessions in January and again in March. During these discussions, agreement was reached on a general method of procedure. The dominion undertook to initiate an amendment to the British North America Act which would (1) validate certain taxes now imposed by one or more of the provinces and give the provinces power to levy a tax on retail sales, thus providing an enlarged and more elastic provincial tax structure; and (2) enable the dominion to guarantee existing or future debts of a province as well as enable a province to give the dominion adequate security for such guarantee by the pledge of dominion subsidies and, if necessary, other specific revenues. If and when these enabling powers should be secured, the dominion undertook to sponsor legislation providing for the setting of up (1) a national finance council, which would consist of the dominion Minister of Finance and the provincial treasurer of each province, with the governor of the Bank of Canada as technical adviser, and which would provide a permanent mechanism for mutual discussion of taxation, investment and other financial problems, with advisory powers only; and (2) individual loan councils which would consist in each case of the dominion Minister of Finance and the treasurer of the province desiring to participate, with the governor of the Bank of Canada as technical adviser, and which would have power both to approve any program providing for refunding of the

debt of a province under dominion guarantee and also to supervise future borrowing by such province. Dominion guarantee would be available to the province only when loan council approval to the proposed issue of securities had been obtained. Moreover, no compulsion was involved; the legislation contemplated would merely provide machinery which any province might take advantage of if it considered it to be in accordance with its own interests.

Since March 31 the government has not had any statutory authority to make loans or give guarantees to any province and even in the relief bill which is now before parliament such authority as is being asked for relates only to loans, advances or guarantees in connection with relief measures or undertakings. It is not proposed, except through loan council legislation, to ask parliament for authority to grant financial assistance to enable a province to meet a maturing obligation or to provide for other ordinary governmental expenditures.

Provincial obligations that have matured in recent weeks or are about to mature have led to extended discussion with the interested provinces. The correspondence exchanged with the province of Alberta has been tabled. That record speaks for itself. In brief, the federal government has taken the position that not only must it have adequate security for the financial assistance which it is called upon to give but also that the dominion government must be in a position to determine the extent to which and the conditions under which dominion credit is made use of now and in the future. It was a matter of great regret to us that the government of Alberta did not see its way clear to accept the conditions under which alone our assistance could have been made available. The province of Saskatchewan, which has an issue maturing to-day, May 1, has expressed a willingness to participate in the loan council arrangement and with the understanding that the dominion will proceed with its legislation, the province, I am advised, has made arrangements with the Bank of Canada to enable it to meet this maturity. I am also advised that the province of British Columbia will be able to redeem its obligation falling due on May 15 without recourse to outside assistance.

The government believes it essential to provide the necessary machinery for any province that may deem it desirable to take advantage of the facilities I have outlined. The government will therefore proceed with the resolution now on the order paper designed to initiate the proposed constitu-

tional amendment, and thereafter with the legislation providing for the establishment of loan councils and a national finance council. I may add that after the most careful consideration we are prepared to recommend certain modifications to the loan council arrangement originally suggested. These modifications would make it possible for a province which had submitted a borrowing proposal to the loan council, and which had not obtained the council's approval, to make such offering on its own credit in the domestic market. Approval of the loan council, however, would be mandatory for all external issues and also for domestic issues in those cases where the outstanding debt of the province is refunded under dominion guarantee. These changes, it is believed, will make the arrangement more acceptable to some of the provinces and still make it possible to secure the primary objectives which the dominion has in mind.

I might advise the house that the modification to which I have just referred is being communicated to all the provinces, particularly those primarily concerned, and of course will have their consideration, and we shall hear from them with respect to it before very long.

I trust that the position which the government has taken in these matters and the action which it proposes to take will commend themselves generally to the good judgment of members of this house. The record of Canadian securities in the investment markets of the world has been a most enviable one. It would be unfortunate if that record were seriously marred at this late stage when the outlook appears to be for continuing recovery and a probable rise in the world price level which will ease the burdens of debtor classes and debtor communities. The arrangement which we contemplate should provide a method for reducing interest burdens in a way acceptable to creditors. It should provide a means whereby provinces, fully cooperating, may restore their credit and place themselves in a position gradually to secure necessary funds for justifiable capital purposes. It should provide a regular and permanent mechanism for the mutual study, with expert assistance, of the difficult, technical financial problems with which all governments are faced. It should make for an avoidance in future of some at least of the costly mistakes made by dominion and provincial governments alike in the past, the continuing burden of which has made it so difficult to assume the new burdens of the present prolonged depression.

It is our hope that the arrangement which is now offered will appeal to all provinces which find it impossible economically to finance their own requirements. We are convinced that it will remove a factor which is now retarding economic recovery. As long as we have an economy based on private enterprise—based on the willingness of thousands of individuals to make commitments for the future in the hope that profits will accrue—so long will the factor of confidence play an important part. As long as fear of the safety of investments or uncertainty in any form persists, private enterprise will not go forward vigorously. We in Canada are powerless to remove the uncertainties in the world political outlook which unfortunately have been aggravated in recent months. We are in duty bound, however, to endeavour to remove all those factors in our domestic situation which tend to retard economic recovery.

TRADE OF CANADA

I turn now to a brief outline of the trends in our external trade. It is not putting it too strongly to say that foreign trade is the very life-blood of Canada. We have seen only too clearly in recent years the appalling effects on our internal economy of the decline of international commerce to about two-thirds of its former physical volume. The fruits of economic nationalism in reduced business activity, shrinking governmental revenues and widespread unemployment are such as to justify in abundant measure the efforts which the present government has made, and will continue to make, to free the channels of international trade and expand the markets for our primary and other industries which must otherwise suffer stagnation and drastic readjustment.

A start in this direction has already been made with the negotiation of a trade agreement with the United States. The conclusion of this agreement is probably the most significant step taken by two leading trading nations to reverse the trend of economic nationalism. Not only does the agreement open up wider markets for the products of each country, but it is also hoped that it will serve as a lead to other countries and thereby promote progressive lowering of the barriers which have been damming up the trade of the world. Such a movement would be of the greatest value to Canada, the prosperity of the whole dominion being so largely dependent on export outlets for the disposal of our surplus production.

An adjustment was also made of the difficulties which had arisen in relation to our trade with Japan. Without foregoing the safeguards necessary to legitimate Canadian enterprise, we succeeded in securing the cancellation of the duty surtaxes on a number of important products for which Japan has been a valuable customer.

Other steps taken to promote our export trade have been the extension of the trade agreement with New Zealand, which was due to expire on November 24, 1935, for a further period until July 31, 1936; an exchange of notes with France providing for certain adjustments in duties and quotas to supplement the agreements which had been concluded with that country; and the extension of the *modus vivendi* with Haiti whereby Canada is guaranteed the minimum tariff of that country for a further period of one year from April 15, 1936, or until the entry into force of a trade agreement, proposals for which have been submitted to the Haitian government.

Canada has long enjoyed profitable and pleasant trading relations with Belgium, and is anxious to strengthen our traditional friendship with that country. Representations having been made by the Belgian government that the specific duties imposed in 1935 on dressed and dyed rabbit skins have had the effect of very seriously curtailing exports of these to Canada, the government has decided to remove the duties in question, and to revert to the *ad valorem* rate formerly effective. In consideration of this treatment, I may say to hon. gentlemen who are smiling, the Belgian government has agreed to remove the turnover tax which for some time has been imposed on Canadian goods imported into that country and, also, to classify as cheddar the cheese received from this dominion. These concessions, the removal of the heavy turnover tax in particular, should stimulate our exports to Belgium in many lines of goods.

The government continues to give careful study to our trade relations with other countries having in view a steady increase in opportunities for the sale of Canadian exportable products. It may be expected that steps will be taken in the near future to enter into active negotiations for the conclusion of trade agreements with several important countries, in accordance with the policy of the government to bring about by the negotiation of bilateral agreements the progressive removal of the hindrances now hampering our international trade.

Serious attention is now being given to our trade relations with the most important of our customers, the United Kingdom. I am happy to be able to state that discussions will shortly take place between representatives of the two governments. I shall make more extended reference to this matter when discussing tariff changes.

I am pleased to be able to report, for the fiscal year just ended, an important gain in our total trade with other countries, amounting in round figures to 152 million dollars. This is an increase of 12·8 per cent over the

previous year. It is true that world trade generally has improved during the past year, but it should be noted that while the average increase in trade of 24 leading countries in the calendar year 1935 was 4·1 per cent our own trade increase was 11·3 per cent. As a result of this marked expansion in our foreign commerce Canada has moved up from eighth to sixth place among the nations in total world trade.

A statement of total trade for the twelve months ended March 31, 1936, with comparative figures for 1935, follows:

Trade of Canada
(excluding gold coin and bullion)

	Fiscal year ended		Increase
	March 31, 1935	March 31, 1936	
Imports..	\$ 522,416,844	\$ 562,803,001	\$ 40,386,157
Exports:			
Canadian produce.. . . .	659,899,994	765,615,563	105,715,569
Foreign produce.. . . .	7,658,963	13,441,659	5,782,696
	<u>\$1,189,975,801</u>	<u>\$1,341,860,223</u>	<u>\$151,884,422</u>

Both imports and exports shared in the increase, but while imports rose by 40·4 million dollars, a gain of 7·7 per cent, exports were 111·5 million dollars higher, having increased by 16·7 per cent. This expansion of our exports gave us, for the year, a favourable balance of trade of 216 million dollars. This is the fifth successive yearly balance in our favour and is the largest since 1927. The importance to be attached to a favourable balance of trade must, of course, be considered in relation to total trade.

The figure for the balance of trade just mentioned does not include our exports of gold—the usual practice among nations being to show this item separately because of its monetary use. With us, however, gold is a commodity and a very important part of our regular export trade. In the fiscal year just ended the adjusted estimate of our gold sold abroad was about 119 million dollars. By adding this to the merchandise balance of 216 million dollars already referred to it is seen that the total balance of commodity trade for the fiscal year just ended was 335 million dollars in our favour. Our tourist trade is also an extremely important credit item in Canada's international account. Preliminary estimates for 1935 show tourist expenditures in Canada of about 201 million dollars against Canadian expenditure in other countries of about 91 million dollars giving us a net credit balance in tourist traffic of about 110 million dollars.

The house will see, therefore, that if to our credit balance of 335 million dollars on merchandise and gold we add the net figure of 110 million dollars from tourists, the total balance in our favour from these items is 445 million dollars without taking into account the movement of securities, Canada is thus in a strong position with respect to payments which must be made abroad on account of our foreign financial obligations. Obviously there is here a solid foundation supporting our dollar in the foreign exchange market.

ANALYSIS OF EXPORTS AND IMPORTS

Upon analyzing our export trade, it is found that the United Kingdom is still our largest market having taken 293 million dollars or 41½ per cent in value of our goods exported in the eleven months ended February 29, 1936, which is approximately the same proportion of the total as in the previous similar period. The British empire as a whole purchased 362 million dollars worth, which was 15½ per cent more than for the same eleven months a year ago. Within the empire the increased purchases from us were distributed as follows; the United Kingdom 15·6 per cent, Australia 35·1 per cent, New Zealand 28·7 per cent, and South Africa 7·1 per cent. Exports to British India decreased by 17·2 per cent.

Not only do our increased exports bear witness to the steady growth of our trade with empire countries, but the same trend is

also revealed in the figures of our purchases from these countries. While our exports to empire countries gained by 48·5 million dollars, our imports increased 19·4 million dollars or 13½ per cent in the eleven months period. This increase in imports from British countries was shared as follows: the United

Kingdom 5·4 per cent, Australia 16 per cent, British India 13·4 per cent, New Zealand 21·7 per cent, and South Africa 41·3 per cent.

Figures showing trade with the United Kingdom and with other empire countries in the eleven months ended February 29, 1936, and in the previous year are as follows:

Trade of Canada with Empire Countries
(excluding gold coin and bullion)

	Eleven months ended	
	Feb. 28, 1935	Feb. 29, 1936
Imports from the United Kingdom.. . . .	\$102,602,618	293,002,334
Exports to the United Kingdom.. . . .	253,488,637	163,429,300
Imports from the British Empire.. . . .	143,989,314	362,178,462
Exports to the British Empire.. . . .	313,665,822	\$108,177,173

Turning now to foreign countries, our trade with the United States is of particular interest following the recent agreement. Exports to the United States for the full year ended March 31, 1936, amounted to 291·3 million dollars as compared with 230·8 million dollars for the previous year. This is a gain of 60·5 million dollars or 26·2 per cent in our exports to the United States. Thus out of a total increase in exports for the year of 111·5 million dollars over 54 per cent of the gain was accounted for by additional sales to the United States. While it is too soon to expect to have realized the full expansion of trade which is expected to follow from the agreement, the latest monthly figures clearly indicate a growing volume of goods moving in both directions across the border.

Exports to the United States for the three months January, February and March of this year totalled \$70,868,053 as compared with \$57,061,713 for the same three months of 1935. This is a gain of 24·2 per cent for the period.

Imports from the United States for the full year just ended were \$319,610,706 which is an increase of 16 million dollars over the preceding year. 7·2 million dollars of this increase were recorded in the first three months of this year under the operation of the trade agreement.

Over 56 per cent of our imports come from the United States. At the same time they take only 37 per cent of our exports. From empire countries we purchase about one-third of our imports and sell to them just over one-

half our goods exported. Approximately 89 per cent of our total trade is with the British empire and the United States.

There is in this brief survey of our foreign commerce much to cheer us, and I believe this steadily expanding trade with other countries testifies strongly to the fundamental soundness of the movement toward recovery in Canada.

GOVERNMENT ACCOUNTS, 1935-36

Turning now to the government accounts, may I state that, while the fiscal year ended on March 31, the final accounting has not yet been completed. Consequently, minor changes, and minor changes only may later be made in the figures now given.

I trust the house will allow for my difficulties in dealing with a fiscal year seven months of which had elapsed before the present government came into office. We were faced with the commitments of our predecessors, which, in large measure, prevented important changes in financial policy during a year more than half of which had already passed.

In order to simplify the presentation of the accounts, I shall, with the permission of the house, now place on Hansard a number of tables showing the usual five-year comparisons of revenues and various classes of expenditure. This will enable me to present a clearer explanation of a technical and complicated series of accounting and statistical facts. The tables follow:

Statement of Revenues for the last Five Fiscal Years
(000 omitted)

Tax Revenues	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
Customs import duties.....	\$ 104,133	\$ 70,073	\$ 66,305	\$ 76,562	\$ 74,000
Excise duties.....	48,655	37,834	35,494	43,190	44,410
War tax revenues—					
Banks.....	1,390	1,328	1,336	1,368	1,305
Insurance companies.....	12	826	742	750	760
Delayed business profits.....	3				
Income tax.....	61,255	62,067	61,399	66,808	82,700
Sales tax.....	41,734	56,814	61,392	72,447	77,000
Manufacturers' importation, stamp, transporta- tion taxes, etc.....	17,872	25,377	45,184	39,745	35,700
Tax on gold.....				3,573	1,413
Total revenues from taxes.....	275,054	254,319	271,852	304,443	317,288
Non-Tax Revenues					
Canada Grain Act.....	1,485	1,445	1,236	1,205	1,219
Canada Gazette.....	74	74	56	47	49
Canals.....	977	831	878	838	883
Casual.....	3,758	3,192	3,613	4,337	4,372
Chinese revenue.....	10	9	6	6	6
Dominion lands.....	485	459	419	516	455
Electricity.....	402	298	440	485	530
Fines and forfeitures.....	234	212	178	90	199
Fisheries.....	40	5	39	43	41
Gas inspection.....	81	84	76	96	91
Insurance inspection.....	150	160	149	139	147
Interest on investments.....	9,330	11,221	11,148	10,963	10,600
Marine.....	192	178	208	218	223
Mariners' fund.....	184	180	188	181	189
Military college.....	20	20	20	20	20
Military pensions revenue.....	163	166	165	174	172
Ordnance lands.....	14	17	18	16	15
Patent and copyright fees.....	525	539	429	426	450
Penitentiaries.....	166	121	98	74	60
Post Office.....	32,235	30,928	30,893	31,248	32,507
Premium, discount and exchange.....		146		752	50
Public Works.....	281	213	250	254	241
Radio licences.....	529	1,414	1,291	1,487	1,562
R.C.M.P. officers' pensions.....	15	12	12	9	9
Weights and measures.....	407	394	400	407	402
	51,757	52,318	52,210	54,031	54,492
Total ordinary revenues.....	326,811	306,637	324,062	358,474	371,780
Special Receipts					
Sundry receipts and credits.....	7,028	4,493	418	3,397	320
Total revenues.....	333,839	311,130	324,480	361,871	372,100

Statement of Expenditures by Departments for the last Five Fiscal Years
(000 omitted)

Ordinary Expenditures	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Agriculture.....	10,212	8,066	6,996	7,107	9,703
Auditor General's office.....	436	380	376	377	428
Civil Service Commission.....	306	244	221	221	260
External Affairs, including office of the Prime Minister.....	994	863	974	1,427	1,324
Finance—					
Interest on public debt.....	121,151	134,999	139,725	138,533	134,550
Cost of loan flotations.....	1,350	1,639	2,550	2,890	3,575
Premium, discount and exchange (net).....	728		167		
Subsidies to provinces.....	13,695	13,677	13,728	13,769	13,769
Special grants to provinces.....	1,600	1,600	1,600	1,600	3,975
Other grants and contributions.....	536	499	398	467	761
Civil pensions and superannuations.....	1,172	1,098	1,032	943	868
Government contribution to superannuation fund.....	2,229	2,270	1,986	1,947	1,875
Old age pensions.....	10,032	11,513	12,314	14,942	16,760
General expenditure.....	1,845	2,046	3,148	3,925	3,724

Statement of Expenditures by Departments for the last Five Years—*Continued*
(000 omitted)

Ordinary Expenditures	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Fisheries.....	2,046	1,787	1,596	1,641	1,727
Governor General's secretary's office.....	148	136	136	133	137
Immigration and Colonization.....	2,200	1,689	1,369	1,269	1,334
Indian Affairs.....	5,081	4,499	4,380	4,362	4,886
Insurance.....	180	161	152	156	171
Interior.....	4,647	3,454	2,833	2,744	2,952
Justice.....	2,793	2,691	2,712	2,718	2,753
Penitentiaries.....	2,737	2,870	2,677	2,667	2,477
Labour.....	633	605	560	581	662
Technical education.....	283	202	129	91	100
Government annuities—Payment to maintain reserve.....	262	289	184	146	272
Legislation—					
House of Commons.....	1,982	2,210	986	1,796	1,505
Library of parliament.....	81	65	69	71	77
Senate.....	650	747	286	491	491
General.....	79	81	62	95	60
Dominion Franchise office.....				1,545	503
Chief Electoral office including elections.....	145	56	32	146	1,093
Marine.....	7,262	5,801	5,439	5,742	5,959
Canadian Radio Broadcasting Commission.....		149	1,025	1,249	1,510
Mines and Geological Survey.....	1,264	1,048	909	965	1,102
Movement of Coal and Domestic Fuel Act....	721	1,220	2,772	2,124	2,055
National Defence—					
Militia service.....	9,700	8,719	8,774	8,853	10,197
Naval service.....	3,043	2,167	2,171	2,222	2,379
Air Service.....	4,040	1,731	1,685	2,258	3,865
Sundry services.....	1,347	1,078	791	799	825
National Revenue, including Income Tax.....	13,920	10,846	10,354	10,165	10,983
Pensions and National Health—					
Treatment and after-care of returned soldiers..	11,633	10,510	9,571	10,127	11,328
Pensions, war and military.....	47,770	44,185	42,923	43,232	42,870
Health Division.....	1,246	924	802	809	879
Post Office.....	36,052	31,607	30,554	30,252	31,607
Privy Council.....	53	47	49	46	47
Public Archives.....	212	174	157	209	162
Public Printing and Stationery.....	289	231	172	368	168
Public Works.....	17,648	13,108	10,827	9,905	12,951
Railways and Canals.....	3,997	3,667	3,315	4,581	4,305
Maritime Freight Rates Act.....	2,555	1,921	1,989	2,529	2,352
Railway grade crossing fund.....	959	318	310	275	128
Royal Canadian Mounted Police.....	3,488	5,820	5,528	5,970	6,192
Secretary of State.....	483	418	387	389	704
Soldier Settlement.....	1,036	818	810	746	761
Trade and Commerce—					
Department.....	6,417	3,277	3,007	3,058	3,528
Canada Grain Act.....	2,306	2,026	1,759	1,679	1,852
Mail subsidies and steamship subventions.....	2,999	2,081	2,221	2,274	2,431
Adjustment of war claims.....	91	55	56	48	71
Reparations—Claims for compensation.....	1,331	188		6	
Sundry charges to consolidated fund.....	50	74	37	20	4
Total ordinary expenditure.....	372,145	354,644	351,772	359,700	373,987
Capital Expenditures					
Canals.....	3,299	3,027	1,975	331	460
Railways.....	6,242	1,503	737	507	305
Public Works.....	7,439	4,018	3,778	6,189	5,811
Total capital expenditures.....	16,980	8,548	6,490	7,027	6,576
Special Expenditures					
Unemployment Relief Act 1930.....	13,190	548	4	3	24
Unemployment Relief Act 1931.....	25,106	17,048	564	52	24
Unemployment Relief Act 1932.....		19,125	6,948	399	105
Unemployment Relief Act 1933.....			28,382	2,420	491
Unemployment Relief Act 1934.....				49,114	1,121
Unemployment Relief Act 1935.....					47,704
Total unemployment relief.....	38,296	36,721	35,898	51,988	49,469

Statement of Expenditures by Departments for the last Five Years—*Concluded*

	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Special Expenditures—<i>Conc.</i>					
Public Works Construction Act.....				8,673	30,232
Canadian Pacific Railway (Relief acts—advances non-active).....		1,447	1,000		439
Reduction of loans to soldier settlers.....	10,908	1,811	1,766	469	
Wheat bonus.....					6,600
1930 Wheat Crop Equalization Payments Act.....					
Loss on 1930 wheat pool and stabilization opera- tions—Payment to Canadian Wheat Board of net liability assumed as at December 2, 1935.....					15,856
Loss on 1930 oats pool under guarantee of bank advances to Canadian Cooperative Wheat Pro- ducers Limited.....					174
Total special expenditures.....	49,204	39,979	38,664	61,130	102,770
Government Owned Enterprises					
Losses charged to consolidated fund—					
Canadian National Railways system ex eastern lines.....	(1)	53,423	52,264	42,590	41,796
Eastern lines.....	6,632	8,717	6,691	5,818	5,625
Canadian National Steamships.....					270
Harbour commissions.....					1,139
Total charged to consolidated fund.....	6,632	62,140	58,955	48,408	48,830
Loans and advances non-active—					
Canadian National Steamships.....	1,199	1,383*	14*	487	333*
Harbour commissions.....	1,913	4,898	2,110	1,242	2,461
Accounts carried as active assets, transferred to non-active assets.....		3,62,938		11	
Total non-active advances.....	3,112	66,453	2,096	1,740	2,128
Total government owned enterprises.....	9,744	128,593	61,051	50,148	50,958
Grand total expenditure.....	448,073	531,764	457,977	478,005	534,291

* C'r.

(1) \$52,256,000 for fiscal years 1931-32 was financed by loans and/or guarantee of securities.

(2) Canadian National Railways—Loans for 1931-32—\$41,121,000. Sundry harbour commissions—Advances prior to 1932-33—\$21,817,000.

Summary of Revenues and Expenditures

(000 omitted)

	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Ordinary expenditures.....	372,145	354,644	351,772	359,700	373,987
Ordinary revenues.....	326,811	306,637	324,062	358,474	371,780
Deficit on ordinary account.....	-45,334	-48,007	-27,710	-1,226	-2,207
Special expenditures.....	49,204	39,979	38,664	61,130	102,770
Less special receipts.....	7,028	4,493	418	3,397	320
Balance.....	42,176	35,486	38,246	57,733	102,450
Add capital expenditures.....	16,980	8,548	6,490	7,027	6,576
Add government owned enterprises.....	9,744	128,593	61,051	50,148	50,958
Total.....	68,900	172,627	105,787	114,908	159,984
Add deficit on ordinary account.....	45,334	48,007	27,710	1,226	2,207
Total deficit or increase of net debt.....	114,234	220,634	133,497	116,134	162,191

It is also proposed to depart from what I have sometimes called the "bridge score" method of accounting—so much above the line and so much below the line—and to present clearly the over-all deficit in the government's accounts. In the past we have too frequently misled ourselves by the form in which our government accounts were presented. We have pointed with pride to a small surplus on ordinary account and we have tended somewhat to minimize the importance of large deficits resulting from capital and special expenditures. It is time to look the facts squarely in the face. If the people of Canada are fully aware of all the facts, I am confident they will support us in taking the steps necessary to achieve that balance of government revenues and expenditures which in my opinion cannot safely be postponed much longer.

REVENUES 1935-36

Our total revenue from taxation and other sources during the past year aggregated \$372,100,000. This total is \$10,229,000 in excess of the total revenue for the preceding fiscal year.

The revenue from taxes alone amounted to \$317,288,000, an increase of \$12,845,000 over the preceding year.

The increase in tax revenue is more than fully accounted for by the income tax which yielded \$82,700,000 as compared with \$66,808,000 in 1934-35. This is the highest yield ever recorded from the income tax, the largest figure for any previous year being that of \$78,684,000 in 1921-22. The increase during the past year arises in part from the improvement in individual and corporate incomes, but in part also from the surtax on investment income which was imposed for the first time last year.

The sales tax which was the second largest contributor to government revenue last year was responsible for a total collection of \$77,000,000, an increase of \$4,553,000 over the previous year.

Excise duties, imposed chiefly on liquors and tobacco, yielded \$44,410,000, exceeding the collections of 1934-35 by \$1,220,000, notwithstanding the substantial reduction made last year in the duty on liquors.

The yields from our other major types of taxation were lower last year than in the preceding fiscal year. The total revenue from customs import duties amounted to \$74,000,000 as compared with \$76,562,000 collected in 1934-35. A substantial increase in customs revenue had been budgeted for by my predecessor, because of an expected increase in the volume of imports. While the anticipated rise in imports, materialized, the increase was almost wholly in the non-dutiable items. The volume of

dutiable imports increased only three per cent and the duties collected actually decreased, largely because of a decline in raw sugar imports and a shift of such imports from foreign countries to countries enjoying the British preferential tariff rates, and because of the reductions made in the duties on liquor last year.

Special excise taxes produced a total revenue of \$35,700,000. This represents a decrease of \$1,045,000, which is accounted for chiefly by the changes made last year under which the excise tax on beer was reimposed in the form of an excise duty on malt and by the elimination last year of the remaining half of the special three per cent tax on imports entitled to entry under the British preferential tariff or under trade agreements between Canada and other British countries.

Non-tax revenues, that is, the revenues derived from various departmental services of government, aggregated \$54,492,000, an increase of \$461,000 over the previous year. The main items under this heading are interest on investments which amounted to \$10,600,000, and Post Office revenues which totalled \$32,507,000, or nearly \$1,260,000 in excess of the previous year. The so-called surplus on Post Office operations approximated \$900,000. It must be remembered, of course, that the Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor, on the other hand, do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

Special receipts during the last fiscal year amounted to only \$320,000. This compares with \$3,397,000 received in 1934-35 when the custodian of enemy property made a special transfer of \$3,000,000 to the consolidated revenue fund.

EXPENDITURES 1935-36

While, as already indicated, I wish to draw special attention to the aggregate expenditure for which the government is responsible both on its own and on railway account, it will facilitate comparison with previous years if comment is first made on the various classes of expenditures which have traditionally been shown in the public accounts.

ORDINARY EXPENDITURES

The ordinary expenditures for the year have aggregated \$373,987,000. This is \$14,287,000 in excess of the expenditures for 1934-35. Nevertheless it is \$16,000,000 lower than the total of the amounts authorized by vote and statute. This substantial reduction below

the appropriations is accounted for, in part at least, by the measures taken by the present government when it came into office last October. One of its first acts was to initiate a careful examination of the trend of revenues and expenditures and an analysis of the financial commitments which had been made. The results of such examination were such as to lead to an immediate direction to all departments to effect every possible economy in ordinary and special expenditures and to defer any undertakings which could not be clearly justified on grounds of necessity or of substantial assistance in providing employment. Had such action not been taken, expenditures for the year would have been much higher than they actually were.

Some of the increase in ordinary expenditures last year was due to special causes, for instance the expenses involved in holding a national election. I suppose some of us think that expense was justified. Others may quarrel with it. The cost of old age pensions increased \$1,818,000 and there were additional special grants to provinces amounting to \$2,375,000.

Of special interest was the decrease of \$3,983,000 in interest on the public debt, reflecting the economies resulting from conversion of outstanding securities into obligations bearing a lower interest rate, and the lower cost of treasury bills. Our interest burden last year was \$134,550,000, which was lower than in any years since 1931-32. Nevertheless, it used up 36.2 per cent of our total revenue.

CAPITAL EXPENDITURES

Total expenditures charged to capital account amounted to \$6,576,000, a decrease of \$451,000 from the previous year. The

chief item was \$5,361,000 for dredging the river St. Lawrence ship channel.

SPECIAL EXPENDITURES

We come now to that important group of items which are classified as special expenditures. Some of the items so classified in previous budgets cannot be regarded as special in any real sense of the term and they are now included in ordinary expenditures. These items include \$3,575,000 cost of loan flotations, representing flotation costs of new loans and annual charges for amortisation of bond discount; \$1,875,000 government contribution to superannuation fund; \$272,000 payment to maintain reserve in government annuities fund; and \$128,000 representing expenditure made under the Railway Grade Crossing Act. In the tables showing expenditures for the past five years the necessary adjustments have been made in order to place the group totals for the various years on a comparable basis.

The importance of this category of special expenditures is indicated by the total expenditure of \$102,777,000 which is \$41,640,000 in excess of the preceding year and much higher than in any previous year.

Of this total \$49,469,000 represents payments for unemployment relief purposes. This includes not only the cost of direct relief and provincial grants in aid, but also the maintenance of the relief camps, the care of single homeless unemployed persons, land settlement relief, special assistance to the Saskatchewan drought area and public works and undertakings carried out under authority of relief legislation. The following table compares the expenditures made for these various purposes during 1935-36 with the similar expenditures in the preceding fiscal year:

Unemployment Relief Expenditures

	1934-35	Estimated 1935-36
Direct relief.....	\$19,211,557	\$ 262,388
Grants in aid (from August 1, 1934).....	14,024,000	26,274,875
Land works and other projects.....	4,493,432	9,831,275
Land settlement relief.....	277,973	176,000
Relief camps—Department of National Defence.....	7,648,371	8,212,000
Relief camps—single homeless unemployed persons.....	629,611	219,000
Department of the Interior, relief including works in national parks.....	515,911	180,000
Saskatchewan drought area relief.....	5,000,000	4,000,000
Miscellaneous, including administration.....	186,452	313,362
	<u>\$51,987,367</u>	<u>\$49,469,000</u>

It will be noted that as in the previous year, special assistance was given to the province of Saskatchewan for relief in the drought area of the province. This form

of relief was by way of accountable advances totalling \$4,000,000. During the fiscal year 1934-35, the sum of \$5,000,000 was advanced for the same purpose and the total of \$9,000,000

was intended to cover the dominion's obligation for the provincial relief year extending from September 1, 1934, to August 31, 1935. It is estimated that when all the accounts are received from the province the total of \$9,000,000 will not be sufficient to take care of the dominion's obligation. Any excess will be applied in reduction of a loan made to Saskatchewan for that specific purpose. This excess, not yet determined, has not been included in the statement of expenditures.

When the present government took office on October 23 last, we found that through agreements with provincial governments certain commitments had been made for the year ending March 31, 1936. These commitments have of course been met and, in addition, as an emergency measure, the monthly grants in aid to provinces for direct relief were increased by seventy-five per cent for the four winter months of December, January, February and March for the purpose of enabling the provinces to grant greater assistance to their municipalities.

Another item under special expenditures which might well have been included in the cost of unemployment relief relates to expenditures made pursuant to the Public Works Construction Act, 1934, and the Supplementary Public Works Construction Act, 1935. Expenditures under these two acts during the last fiscal year aggregated \$30,232,000 as compared with \$8,673,000 in 1934-35. As at March 31, 1936, there remained unexpended \$18,726,000 of the amounts authorized by these acts. Uncompleted projects and other projects authorized by these enactments which the government believes it advisable to proceed with have been provided for in the new fiscal year by the special supplementary estimates recently brought down in this house.

WHEAT MARKETING LOSSES

Included in the special expenditure for last year are three items representing losses incurred as a result of the wheat policy in effect during the past five years. The payment of \$6,600,000 to primary producers of wheat who delivered wheat during the crop year 1930 has been amply debated in this house. The item of \$15,856,645 represents the debit balance in the bank account of Canadian Cooperative Wheat Producers Limited as of December 2, 1935, which was assumed by the Canadian Wheat Board as a result of the transfer to it as of that date of the wheat and wheat contracts held by Canadian Cooperative Wheat Producers Limited in connection with the 1930 wheat pool account and stabilization account. As advances by the chartered banks to Canadian Cooperative Wheat Producers

Limited were guaranteed by the dominion government, further supplementary estimates for 1935-36 will authorize payment to the Canadian Wheat Board of the amount of this liability assumed by it.

The operations of the Canadian Cooperative Wheat Producers Limited, in connection with oats of the 1930 crop resulted in a loss of \$170,130 as at December 2, 1935, and under the terms of the government guarantee this amount with accrued interest to the date of payment will be paid to liquidate the bank liability.

Unfortunately, these three items totalling \$22,630,000 may not represent the total cost of governmental wheat marketing operations. To them will have to be added any further losses that may result before the wheat and wheat contracts resulting from the 1930 pool and stabilization operations have been finally disposed of, and also any losses which the Canadian Wheat Board may incur in marketing wheat of the 1935 crop for which a minimum price to primary producers of eighty-seven and one-half cents per bushel, basis No. 1 northern, Fort William, was fixed last September. Whether such losses will accrue and what their magnitude will be will depend on the prospective harvests in wheat producing countries of the world, on the demand of importing countries, and on the trend of wheat prices. These factors it is of course impossible to forecast. It may be emphasized, however, that the government does not believe itself warranted in assuming responsibility for holding such colossal quantities of wheat as have been held during the last few years. Without resort to dumping, its policy will be to market surplus wheat in an orderly manner as rapidly as world conditions will permit, with due regard to the progress of the next Canadian crop, and at the same time endeavouring to restore and expand in every possible way the demand for Canadian wheat and wheat products in world markets.

The remaining items under the caption of Special Expenditures are of minor importance.

GOVERNMENT-OWNED ENTERPRISES

Another important class of expenditures for which the government is responsible may be considered under the caption, "Government-owned Enterprises." This new category appears to be a convenient one in which to group together any losses of, or non-active advances to, government-owned enterprises which are operated as separate corporations. It will include the net income deficit of the Canadian National Railways, and any operating deficits of the Canadian National Steamships or of any harbours previously operated by harbour

commissions but in future to be administered by the National Harbours Board, as well as any non-active advances to such enterprises. Non-active advances do not earn interest and are treated in the government accounts as expenditures.

CANADIAN NATIONAL RAILWAY COMPANY

Further improvement in operating revenues of the Canadian National Railway Company took place in 1935. The gain amounted to \$8,200,000, or 5 per cent. Operating expenses were higher than in 1934, one of the important factors being the increase in wages brought about by the removal of a part of the payroll deduction. After providing for operating expenses and other charges such as taxes, rentals, etc., the company's accounts showed a net amount of \$6,800,000 available for interest on debt. This result was not as satisfactory as in the previous year, when the amount available for this purpose was \$7,400,000. After applying the sum of \$6,800,000 available from earnings against interest charges of \$54,200,000, there resulted a cash deficit of \$47,400,000. This amount has been paid by the dominion and charged in our accounts as an expenditure for the year and compares with \$48,400,000 in 1934, the improvement of nearly one million dollars being entirely accounted for by savings made in interest charges through refunding of securities.

It should be borne in mind that there are certain charges in the accounts of the railways not involving cash which should be taken into account in reconciling the above-mentioned figure of cash deficit with the net loss for the year as shown by the annual report of the railway company.

In addition to the provision for deficits, the government advanced \$7,574,000 to the Canadian National Railways in the fiscal year period for capital expenditures and retirement of debt. This amount is shown in the public accounts under Loans and Investments. The figure is made up as follows: capital expenditures under the 1935 budget, \$687,000; purchase of and repairs to equipment under the Supplementary Public Works Construction Act, \$5,068,000; retirement of debt (net), \$1,819,000.

Important refunding operations in connection with the long-term funded debt of the railway company took place during the year. Four issues of bonds aggregating \$108,519,000 were called for redemption prior to their maturity dates and were replaced by securities bearing lower rates of interest. These issues were:

\$35,000,000 4½% bonds due December 1, 1968;
\$26,000,000 4½% bonds due September 15, 1954;
\$23,740,000 7% bonds due October 1, 1940;
\$23,779,000 7% bonds due December 1, 1940.

In addition, temporary loans obtained in connection with the maturity of \$17,000,000 4½ per cent bonds on February 15, 1935, were funded. This made a total of securities included in the refunding operations of \$125,519,000. Provision for this amount, together with premiums payable upon call of the bonds and discounts on the new issues, was made by the sale of railway company securities guaranteed by the dominion to the principal amount of \$128,400,000 and a temporary loan of \$2,043,000 from the dominion treasury. The details of the new issues and the interest cost to the company, are shown in the following statement:

Canadian National Railway Company Guaranteed Bonds issued for Refunding, 1935-36

Issue date	Maturity date	Interest rate	Cost to company	Amount
May 1, 1935	May 1, 1938	2%	2.35%	\$13,400,000
	May 1, 1944	3%	3.29%	35,000,000
February 15, 1936	February 15, 1943	2%	2.31%	55,000,000
	February 15, 1953	3%	3.25%	25,000,000

The annual saving to the company, after providing for the amortization of the premiums paid upon the called bonds, will be approximately \$3,000,000 a year as a result of this refunding. All of the redeemed bonds were payable, either optionally or solely outside of Canada, and the new issues are payable in Canada only. In connection with the redemp-

tion of the three issues in September, October and December last, the necessary funds were first obtained by the sale in New York of direct obligations of the dominion and later the company recouped the dominion from the proceeds of the sale of its securities in Canada.

On March 31, 1936, the amount of the debt of the Canadian National railway system outstanding in the hands of the public was \$1,217,000,000, having been reduced by \$21,000,000 in the past year. Of the amount outstanding, \$964,000,000 are obligations guaranteed by the dominion.

CANADIAN NATIONAL STEAMSHIPS

Proceeding further to deal with the provision which it has been necessary to make for government-owned enterprises, it is satisfactory to report that the operations of the Canadian National Steamships showed a considerable improvement over the previous year. The cash loss on the West Indies service was \$270,000, as compared with \$567,000 in 1934. The Canadian Government Merchant Marine had operating earnings of \$312,000, as compared with a deficit of \$127,000 in 1934. An amount of \$179,000 was advanced for capital expenditures on the West Indies fleet, but this expenditure was more than offset by the return to the government of a further \$200,000 advanced in previous years to the merchant marine for working capital. Taking into consideration all these transactions, there was a credit of \$63,000 on account of steamship services.

HARBOUR COMMISSIONS

Assistance to harbour commissions appearing in our expenditure accounts amounted to \$3,600,000. This amount is made up of \$1,139,000 paid to liquidate bank loans obtained for operating deficits in Quebec, Chicoutimi and Halifax, and represents losses incurred not only in 1935 but also in previous years. The balance is comprised of advances (non-active) of \$482,000 for deficit on the Jacques Cartier bridge, Montreal, and \$1,979,000 for expenditures in the harbours of Saint John, Halifax, Three Rivers and Quebec.

To sum up, the total amount treated as expenditures in our accounts in connection with the operation of the railways and other government owned enterprises, was \$50,958,000,

as compared with \$50,148,000 in the previous year. This is exclusive of the amounts carried as investments to which reference will be made later.

SUMMARY OF EXPENDITURES

Adding together ordinary, capital and special expenditures, as well as losses of and non-active advances to government owned enterprises we find that the grand total of expenditures for which the government was responsible was \$534,291,000. This is an increase of \$56,286,000 during the last fiscal year as compared with 1934-35 and of \$2,527,000 as compared with 1932-33, the worst year of the depression. The increase over the previous year, it will be remembered, is more than fully accounted for by the rise of \$14,287,000 in ordinary expenditures, the \$21,559,000 increase in expenditure under the Public Works Construction Acts and the \$22,630,000 payments made and losses taken in respect of wheat and oats.

I direct attention to the fact that in the last fiscal year nearly 62 per cent of the dominion's revenues were required to meet fixed and uncontrollable expenditures, such as interest; war and old age pensions and superannuation; care of returned soldiers; subsidies to provinces and certain other outlay of this nature. In the year 1913-14, the last fiscal year prior to the war, only 19 per cent of the revenues were allotted to items generally regarded as uncontrollable, and even in 1929-30, when the effect of the war cost had been shown in our expenditures, the proportion was but 44 per cent, as compared with 62 per cent last year. Although it is not possible at this date, except by certain arbitrary assumptions, to make exact calculations, nevertheless it is obvious from an examination of the expenditure statements that the burden of the war cost, both direct and indirect, is even to-day a major factor in our budgetary situation.

A statement showing the proportion of the revenues required for fixed and uncontrollable expenditures in the years 1913-14, 1929-30 and 1935-36, follows:

Proportion of Dominion Revenues Required for Certain Uncontrollable Expenditures

	1913-14	1929-30	1935-36
	%	%	%
Interest on debt.. . . .	8.61	27.54	36.19
European war pensions.. . . .	....	8.86	11.19
Old age pensions.. . . .	....	.35	4.51
Other pensions and superannuation.. . . .	.51	1.01	1.22
Care of returned soldiers.. . . .	....	1.93	2.90
Subsidies to provinces.. . . .	7.53	2.83	3.70
Other items.. . . .	2.07	1.22	2.25
	18.72	43.74	61.96

DEFICIT 1935-36

Taking the total revenues for the year at \$372,100,000 and the total expenditures at \$531,291,000, there is an over-all deficit for the last fiscal year of no less than \$162,191,000.

This, of course, takes into account the railway deficit as well as all direct governmental expenditures and makes allowance for special receipts. It compares with a total deficit in the previous year of \$116,134,000. It represents the gap between total income and total outgo which must be bridged. I shall have some comments to make on this deficit at a later stage.

LOANS AND INVESTMENTS

In addition to provision for the expenditures of the year as already outlined, loans

and investments to the amount of \$60,400,000 were made.

LOANS TO PROVINCES

The most important of these were loans to the four western provinces aggregating \$42,300,000, under authority of the relief acts. The net amount loaned was very much greater than in any previous year due chiefly to large loans to the provinces of Alberta and British Columbia to meet maturing obligations. For this purpose \$5,400,000 was advanced to Alberta and \$5,900,000 to British Columbia. Loans were also granted for the financing of relief expenditures including public works and agricultural relief and for seed grain and seeding operations. The amount of loans to each province, classified as to purpose, are shown on the following statement:

Loans to Provinces under Relief Acts, Fiscal Year 1935-36

Purpose	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	\$	\$	\$	\$	\$
For provincial purposes including public works, direct relief and agricultural relief.....	4,183,655 ¹	8,146,044	7,232,000 ²	6,195,000	25,756,699
To meet maturing obligations.....			5,435,000	5,971,000	11,406,000
For re-loan to municipalities.....	537,000	145,000	450,000	400,000	1,532,000
For seed grain and seeding operations.....		6,000,000			6,000,000
	4,720,655	14,291,044	13,117,000	12,566,000	44,694,699
Less cash re-payments and credits applied..	2,324,429	45,565	13,000	7,555	2,390,549
Net loans during 1935-36.....	2,396,226	14,245,479	13,104,000	12,558,445	42,304,150

¹Includes \$408,155 for drought area relief including seed grain.

²Includes \$1,050,000 for agricultural relief including seed grain.

The amount due by the provinces at the beginning of the fiscal year was \$74,200,000. With the addition of the loans made during the year, the total of dominion assistance by way of loan to the four western provinces under the relief acts, now stands at \$116,500,000. The dominion holds one-year treasury bills of the provinces bearing interest at the rate of 4½ per cent to July 1, 1935, and 4 per cent thereafter, in respect of these loans. The provinces of Manitoba,

Alberta and British Columbia have paid the interest in cash as it became due, but the province of Saskatchewan, being unable to meet all of such payments, has covered the interest accruals on the major portion of its outstanding loans by tendering treasury bills to the dominion. A statement of the loans to date by provinces, showing generally the purpose for which they were granted, follows:

Loans to Provinces under Relief Acts
Net Amount outstanding at March 31, 1936

	Loans specifically to meet maturing obligations and interest	Loans specifically for agricultural relief including purchase of seed grain	Loans for provincial purposes generally including public works and direct relief	Total
	\$	\$	\$	\$
Manitoba.....	1,139,455	244,400	14,121,000	15,504,855
Saskatchewan.....	3,934,341	13,892,633	30,541,655	48,368,629
Alberta.....	8,577,000	3,322,000	13,182,000	25,081,000
British Columbia.....	11,262,109	.....	16,310,571	27,572,680
	24,912,905	17,459,033	74,155,226	116,527,164

OTHER LOANS AND INVESTMENTS

Loans to the Canadian National Railway Company for capital expenditures and retirement of debt, as already referred to, amounted to \$7,574,000. Purchases of equipment for the Canadian Pacific Railway Company and loans to that company for equipment repairs—all as provided under the Supplementary Public Works Construction Act—amounted to \$4,629,000. Agreements between the government and the company provide for the payment of interest and repayment of the principal by instalments over a period of years.

The government's investment in the Canadian Farm Loan Board was increased in the year by \$7,933,000. Of this amount, \$175,000 was for the purchase of capital stock of the board, \$7,550,000 for purchase of bonds, and \$208,000 for the purchase from various provinces of capital stock subscribed by them during the period in which the provinces par-

ticipated in the farm loan scheme. The total investment of the government in the board now amounts to \$16,790,000. While the board operated at a loss during the fiscal year, provision therefor will be made from the reserves set aside in previous years. Bonds of the board are now being purchased on a 3½ per cent basis.

Under investments there are also included \$1,439,000 advanced during the year to the harbour commissions at Montreal and Vancouver. These loans are carried as active assets as both these commissions have paid a substantial proportion of the interest charged on their indebtedness.

During the year, repayments totalling three and a half millions were received in reduction of soldier settlement loans and loans to provinces for housing.

The following statement shows the amount of loans and investments (active assets) during the last fiscal year, with comparisons for the four previous years:

Loans and Investments Active

(000 omitted)

	1931-32	1932-33	1933-34	1934-35	Estimated 1935-36
	\$	\$	\$	\$	\$
Provinces—under relief legislation.....	22,634	15,565	13,115	22,909	42,304
Canadian Farm Loan Board.....	1,608	871	416	353	7,933
Canadian National Railway.....	41,121	14,677	2,628	16,579	7,574
Canadian Pacific Railway.....	.....	.....	.....	.....	4,629
Harbour Commissioners.....	12,138	650	1,677	393	1,439
Soldier land settlement.....	483 Cr.	92 Cr.	2,492 Cr.	571 Cr.	555 Cr.
Provinces—housing.....	150 Cr.	139 Cr.	213 Cr.	397 Cr.	3,003 Cr.
Other.....	115 Cr.	469	.....	.....	82
	76,753	32,001	15,131	39,266	60,403

LOAN FLOTATIONS

New issues of dominion obligations during the year totalled \$500,000,000, exclusive of temporary financing in connection with which repayment was made before the close of the fiscal period. These issues, to the extent of \$297,000,000, were for the purpose of refunding maturing obligations. The balance of \$203,000,000, representing the net increase in funded debt and treasury bills during the year, was issued for deficit and other current purposes. This large amount of financing was successfully carried out at lower rates of interest both for short and long term issues than ever before. At the close of the fiscal year the average rate of interest on the outstanding funded debt and treasury bills, was 3.9 per cent as compared with a corresponding figure of 4.15 per cent a year ago.

Three issues amounting in the aggregate to \$164,000,000 were made in the United States for refunding purposes, including redemption of Canadian National Railway bonds already referred to. These were the first public flotations by the dominion government in that market for several years and necessitated registration under the United States Securities Act. The interest cost to the government was 2.09 per cent for three-year notes, 2.96

per cent for ten-year and 3.63 per cent for twenty-five year bonds.

The issues in Canada, exclusive of treasury bills, totalled \$303,000,000. The sale of \$135,000,000 of one-year and three-year notes was made to Canadian chartered banks in September last, mainly to meet maturing short term obligations held in large part by those institutions. Two public offerings were made, one dated June 1 for \$60,000,000 and one dated November 15 for \$75,000,000. The interest cost to the government ranged from 1.90 per cent for one-year notes to 3.10 per cent on twenty-year bonds.

The \$33,293,000 of 5 per cent school lands debenture stock held by the prairie provinces were again renewed for one year at the same rate of interest.

The policy of selling three-months treasury bills in the Canadian market was continued during the year, and the amount of issues outstanding was increased by \$33,300,000. The rate of discount on these bills dropped from 1.698 per cent on April 15, 1935, to .999 on March 16, 1936. Since that date, further issues have been made, the record low cost of .879 per cent being obtained on April 15.

I now place on Hansard a statement giving the essential details of the new issues made during the year:

Loan flotations 1935-1936

Issue date	Maturity date	Interest rate	Where payable	Price	Cost to Govt.	Amount Issued
		per cent			per cent	
1935—						
June 1.....	June 1/43.....	2½	Canada.....	99.50	2.57	20,000,000
June 1.....	June 1/55.....	3	Canada.....	98.50	3.10	40,000,000
July 1.....	July 1/36.....	5	Canada (School Lands)	100.00	5.00	33,293,471
Aug. 15.....	Aug. 15/45.....	2½	New York.....	96.00	2.96	76,000,000
Sept. 15.....	Sept. 15/36.....	1½	Canada.....	99.61	1.90	45,000,000
Oct. 15.....	Oct. 15/38.....	2	Canada.....	99.2175	2.275	90,000,000
Nov. 15.....	Nov. 15/39.....	2	Canada.....	99.43	2.15	20,000,000
Nov. 15.....	June 1/55.....	3	Canada.....	98.75	3.08	55,000,000
1936—						
Jan. 1.....	Jan. 1/39.....	2	New York.....	99.75	2.09	40,000,000
Jan. 15.....	Jan. 15/61.....	3½	New York.....	93.86	3.63	48,000,000
						467,293,471
Increase in short term treasury bills outstanding March 31, 1936, over March 31, 1935.....						33,300,000
						\$500,593,471

The following is a statement of the unmatured funded debt and treasury bills of the dominion outstanding at March 31, 1936, showing also the annual interest charges thereon:

Unmatured Funded Debt and Treasury Bills, as at March 31, 1936, and Annual Interest Charges

Date of Maturity	Rate per cent	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1936 July 1	5	Canada	33,293,470	85	1,664,673	54
Sept. 15	1½	Canada	45,000,000	00	675,000	00
Oct. 15	2	Canada	63,336,000	00	1,266,720	00
Nov. 15	5	Canada	79,535,200	00	3,976,760	00
1937 Mar. 1 (a)	5	Canada and New York	89,787,000	00	4,489,350	00
Dec. 1 (a)	5½	Canada	236,299,800	00	12,996,489	00
1938 July 1	3	London	8,071,230	16	242,136	90
July 1	3	London	18,250,000	00	547,500	00
July 1	3	London	10,950,000	00	328,500	00
July 1	3½	London	15,056,006	66	526,960	23
Oct. 15	2	Canada	90,000,000	00	1,800,000	00
1939 Jan. 1	2	New York	40,000,000	00	800,000	00
Oct. 15	4	Canada	47,269,500	00	1,890,780	00
Oct. 15	2½	Canada	7,933,000	00	198,325	00
Nov. 15	2	Canada	20,000,000	00	400,000	00
1940 Mar. 1	3	Canada	115,013,636	82	3,450,409	10
Sept. 1	4½	Canada	75,000,000	00	3,375,000	00
1941 Nov. 15	5	Canada	141,663,000	00	7,083,150	00
1942 Oct. 15	3	Canada	40,409,000	00	1,212,270	00
1943 June 1	2½	Canada	20,000,000	00	500,000	00
Oct. 15	5	Canada	147,000,100	00	7,350,005	00
1944 Oct. 15	4½	Canada	50,000,000	00	2,250,000	00
1945 Aug. 15	2½	New York	76,000,000	00	1,900,000	00
Oct. 15	4	Canada	88,337,500	00	3,533,500	00
1946 Feb. 1	4½	Canada	45,000,000	00	2,025,000	00
1947 Oct. 1	2½	London	4,888,185	64	122,204	64
1949 Oct. 15	3½	Canada	138,322,000	00	4,841,270	00
1950 July 1	3½	London	137,058,841	00	4,797,059	43
1952 May 1	5	New York	100,000,000	00	5,000,000	00
Oct. 15	4	Canada	58,191,000	00	2,247,640	00
1955 May 1	3¾	London	48,666,666	67	1,581,666	67
June 1	3	Canada	40,000,000	00	1,200,000	00
June 1	3	Canada	55,000,000	00	1,650,000	00
1956 Nov. 1	4½	Canada	43,125,700	00	1,940,656	50
1957 Nov. 1	4½	Canada	37,523,200	00	1,688,544	00
1958 Sept. 1	4	London	73,000,000	00	2,920,000	00
Nov. 1	4½	Canada	276,687,600	00	12,450,942	00
1959 Nov. 1	4½	Canada	289,693,300	00	13,036,193	50
1960 Oct. 1	4	London	93,926,666	66	3,757,066	67
Oct. 1	4	New York	100,000,000	00	4,000,000	00
1961 Jan. 15	3¼	New York	48,000,000	00	1,560,000	00
Treasury bills due April 1, 1936, 1·19 per cent, Canada			25,000,000	00	297,500	00
Treasury bills due April 15, 1936, 1·15 per cent, Canada			25,000,000	00	287,500	00
Treasury bills due May 1, 1936, 1·09 per cent, Canada			30,000,000	00	327,000	00
Treasury bills due May 15, 1936, 1·05 per cent, Canada			20,000,000	00	210,000	00
Treasury bills due June 15, 1936, 0·999 per cent, Canada			20,000,000	00	199,800	00
			3,265,287,604	46	128,597,577	18
Payable in Canada		\$2,401,633,007	77	73·55%		
Payable in Canada and New York		89,787,000	00	2·75%		
Payable in New York		364,000,000	00	11·15%		
Payable in London		409,867,596	79	12·55%		
			\$3,265,287,604	46	100·00%	
Less bonds and stocks of the above loans held as sinking funds		58,168,944	35			
			\$3,207,118,660	11		

(a) Tax free in Canada.

Now with regard to our old friend the national debt.

THE NATIONAL DEBT

At March 31, 1936, the unmatured funded debt and treasury bills of the dominion outstanding, less sinking funds, amounted to \$3,207,000,000. To this amount are to be added other liabilities, mainly composed of insurance and superannuation funds, post office savings deposits and certain trust and contingent accounts, amounting to \$225,000,000, to arrive at the gross liabilities of \$3,432,000,000. Active

assets, including cash on hand and investments, amounted to \$424,000,000. After deducting the latter figure from the gross liabilities, the net debt at the close of the fiscal year amounted to \$3,008,000,000. When we left office in August, 1930, the net debt of the dominion stood at \$2,141,000,000, the increase in the interval being \$867,000,000. The total funded debt increased almost one billion dollars in the period.

I now place on Hansard a statement showing the assets and liabilities as at March 31, 1936:

Liabilities, March 31, 1936 (estimated)

Bank Circulation Redemption Fund..	\$	6,858,000	
Insurance and superannuation funds—			
Government annuities..	\$	66,835,000	
Insurance fund, civil service..		9,990,000	
Insurance fund, returned soldiers..		14,777,000	
Retirement fund..		8,361,000	
Superannuation funds..		51,140,000	
			151,103,000
Trusts funds—			
Indian funds..		13,929,000	
Common school funds..		2,676,000	
Contractors' securities deposits..		1,551,000	
Other trust funds..		2,870,000	
			21,026,000
Contingent and special funds..			5,877,000
Post Office money orders, postal notes, etc. outstanding..			2,736,000
Province accounts..			9,624,000
Post Office savings bank deposits..			22,050,000
Funded debt—			
Unmatured..	\$	3,207,119,000	
Matured but not presented for payment..		4,228,000	
			3,211,347,000
Interest coupons matured but not presented for payment..			2,050,000
			\$3,432,671,000

Assets, March 31, 1936 (estimated)

Active assets—		\$	24,043,000	
Cash, working capital advances and other current assets..			2,287,000	
Gold bullion account..				
Loans to provinces—				
Housing..	\$	6,768,000		
Relief Acts..		116,996,000		
				123,764,000
Loans to foreign governments—				
Greece..		6,525,000		
Roumania..		23,969,000		
				30,494,000
Loans to harbour commissioners—				
Vancouver..		59,134,000		
New Westminster..		23,744,000		
				275,000
Loans under Dominion Housing Act..				83,153,000
Bond holding account..				82,000
Canadian National Railways..				639,000
Canadian Pacific Railway..				41,458,000
Canadian Farm Loan Board..				4,629,000
Canadian Farm Loan Board..				16,790,000
Soldier and general land settlement..				43,630,000
Seed grain and relief advances..				2,358,000
Canadian government railways open and stores accounts..				15,749,000
Deferred debits—				
Unamortized discount and commission on loans..				35,284,000
				\$ 424,380,000
				3,008,291,000
Net debt March 31, 1936 (estimated)..				
Represented by—				
Non-active assets, March 31, 1936 (estimated)				

Assets, March 31, 1936 (estimated) Concluded

Capital expenditures—		
Public Works—		
Canals..	\$ 242,871,000	
Railways..	443,190,000	
Public buildings, harbour and river improvements.. . . .	264,929,000	
Military property and stores.. . . .	12,035,000	
Territorial accounts.. . . .	9,896,000	
		972,921,000
Loans non-active—		
Canadian National Railways.. . . .		655,527,000
Railway accounts (old).. . . .		88,399,000
Canadian National Steamships.. . . .		15,508,000
Harbour commissioners—		
Quebec..	26,293,000	
Chicoutimi..	3,539,000	
Halifax..	9,515,000	
Saint John..	14,046,000	
Three Rivers..	3,144,000	
Montreal (Jacques Cartier bridge).. . . .	2,504,000	
		59,041,000
Seed grain and relief advances.. . . .		536,000
Soldier and general land settlement.. . . .		16,514,000
Miscellaneous advances.. . . .		3,525,000
Consolidated fund—		
Balance, consolidated fund, brought forward from March 31, 1935..	1,042,806,000	
Excess of expenditure over revenue, fiscal year ended March 31, 1936 (estimated).. . . .	153,514,000	
		1,196,320,000
		\$3,008,291,000

INDIRECT LIABILITIES

Bonds and debenture stocks bearing the guarantee of the dominion outstanding in the hands of the public at the close of the fiscal year amounted to \$994,600,000. The increase during the year was \$7,300,000, accounted for by changes in Canadian National Railway issues, including the funding of a temporary loan from the government outstanding a year ago.

Other contingent liabilities are those arising out of guarantees given pursuant to the relief and other acts. During the year the government gave guarantees under authority of the Canadian Wheat Board Act. The amount of these guarantees at March 31, 1936, was about \$58,000,000.

The guarantee of bank loans to the Canadian Pacific Railway Company, the original amount of which was \$60,000,000, was further reduced during the fiscal year by \$12,000,000, the indebtedness at March 31 being \$36,000,000. The government is advised that the company has made arrangements to liquidate the balance of the loans on May 1 and the dominion will be relieved of its liability without loss.

The guarantee arising out of the assumption by the chartered banks of the liability of the Province of Manitoba Savings Office was further reduced during the year by \$1,500,000.

The amounts of the bonds and debenture stocks and other indebtedness guaranteed by the dominion are shown in the following statement:

Bonds and Debenture Stocks Guaranteed by Dominion Government

As at March 31, 1936

Date of maturity	Issue	Interest rate	Amount outstanding	
		per cent	\$	cts.
Sept. 1, 1936.....	Grand Trunk.....	6	24,220,000	00
May 1, 1938.....	Canadian National.....	2	13,400,000	00
Feb. 15, 1943.....	Canadian National.....	2	55,000,000	00
May 1, 1944.....	Canadian National.....	3	35,000,000	00
July 1, 1946.....	Canadian Northern.....	6½	24,238,000	00
April 1, 1948.....	New Westminster Harbour Commission.....	4¾	700,000	00
Dec. 15, 1950.....	Canadian National.....	3	20,500,000	00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000	00
Aug. 1, 1952.....	Saint John Harbour Commission.....	5	667,953	04
Feb. 15, 1953.....	Canadian National.....	3	25,000,000	00
July 10, 1953.....	Canadian Northern.....	3	9,359,996	72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000	00
Mar. 1, 1955.....	Canadian National (West Indies) Steamships.....	5	9,400,000	00
June 15, 1955.....	Canadian National.....	4¾	50,000,000	00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000	00
July 1, 1957.....	Canadian National.....	4½	65,000,000	00
July 20, 1958.....	Canadian Northern.....	3½	7,896,548	57
May 4, 1960.....	Canadian Northern Alberta.....	3½	3,149,998	66
May 19, 1961.....	Canadian Northern Ontario.....	3½	34,229,996	87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000	00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848	00
July 1, 1969.....	Canadian National.....	5	60,000,000	00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000	00
Nov. 1, 1969.....	Harbour Commissioners of Montreal.....	5	19,000,000	00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000	00
By tenders or drawings.....	Canadian National.....	2	25,189,243	73
Various dates, 1936-54.....	City of Saint John debentures, assumed by Saint John Harbour Commission.....	Various	1,208,527	74
Serial, Feb. 1 and Aug. 1, 1936-1938.....	Canadian National eqpt. "G".....	5	3,750,000	00
Perpetual.....	Grand Trunk guaranteed stock.....	4	60,833,333	33
".....	Grand Trunk debenture stock.....	5	20,782,491	67
".....	Great Western debenture stock.....	5	13,252,322	67
".....	Grand Trunk debenture stock.....	4	119,839,014	33
".....	Northern Railway of Canada debenture stock.....	4	1,499,979	67
			\$994,550,255 00	

Other Indebtedness Guaranteed

Estimated principal amount outstanding March 31, 1936

Bank advances, re Province of Manitoba Savings Office.....	\$ 7,305,541
Bank advances, re government of Newfoundland.....	625,000
Bank advances, re Canadian Pacific Railway Company.....	36,000,000
Bank advances, re Dominion Steel and Coal Corporation (order for rails)...	217,134
Province of British Columbia treasury bills.....	626,533
Province of Manitoba treasury bills.....	5,894,127
Bank advances, re Canadian Cooperative Wheat Producers Ltd.....	370,000
Bank advances and other liabilities, Canadian Wheat Board.....	58,260,000
Reserve of chartered banks on deposit in Bank of Canada.....	188,202,917

BUDGET FORECAST 1936-37

I have already announced that the overall deficit for the last fiscal year is estimated at \$162,191,000. The size of that deficit cannot fail to have impressed the house. Its seriousness is enhanced by the fact that it is but the latest in a series of deficits which have averaged over \$138,000,000 per year dur-

ing the past six depression years. The magnitude of these deficits, and particularly of the latest one, is such that in my opinion few honourable members will be disposed to question the declared purpose of the government to end in the shortest practicable time the era of recurring deficits. That purpose the government intends to pursue steadily as an

essential condition of the restoration of business confidence and the free functioning of private enterprise. This, it is believed, will contribute more effectively to the solution of the problems of unemployment and depression than any other single thing which governments can do.

I am not an alarmist. On the contrary, I am confident that common sense and sound economic policies can solve our immediate problems. Moreover I am convinced that this country can bear all the burdens which the war and the depression and past mistakes have saddled upon it, great as they have been. Nevertheless I believe that no country can go on indefinitely with heavily unbalanced budgets and continue to maintain either the confidence of investors or the basis upon which her economy can function healthily and vigorously. We have now reached the stage where delay should no longer be tolerated. We must make an immediate approach to a balanced budget and we must be able to show that complete equilibrium can be reached within a reasonable time.

I am well aware that this will be called a doctrine of deflation. Indeed, I have heard it said recently that Canada has been following a policy of "heroic deflation" and that she should take a leaf out of the book of the mother country. It is not easy for me to understand how departure from the gold standard, recurring deficits, financing by borrowing, of the magnitude of those which I have outlined, and a monetary policy which has allowed the Canadian dollar to fluctuate approximately at par with the managed sterling standard and with the devalued United States dollar and which has made possible an expansion of the country's cash base just as rapidly as that of Great Britain, can be described as deflation. More careful analysis would rather appear to indicate that in these financial matters about the only point in the British program which we have not already adopted is her policy of keeping the budget balanced. That, as everyone knows, was regarded by Great Britain as the very cornerstone of the recovery program. So much so that the latest British budget imposes substantial increases in a tax structure of already harassing proportions in order to provide funds for increased expenditures considered necessary for purposes of national defence.

In my opinion it is not feasible for us to achieve a complete balancing of our budget immediately. That I am bound to admit would involve deflation and to a degree that would probably prove intolerable. What we can and must do is to make an immediate, appreciable approach to a balanced budget

as the first step in a definite, positive program which will assure the attaining of our final objective within a limited period. I shall now outline the measures which we propose to take and indicate the considerations which have influenced us in each case.

POLICY ON EXPENDITURES

On the expenditure side our first step has been to put an end to the era of "blank cheques" and to reestablish the control of parliament over both the character and the amount of government expenditures. Before the house rises a complete presentation will have been made of the amounts which the executive branch of government believes it will be necessary to spend during the year and these amounts will have been duly authorized by parliament. The main estimates for 1936-37 which were brought down some time ago were designed to cover the ordinary operations of government. Unquestionably they should be, and they will be, more than amply provided for by ordinary revenues. The special supplementary estimates, recently tabled, were intended to make provision for those special or emergency needs, chiefly the costs of unemployment relief and the deficits of government owned enterprises, which arise out of the abnormal conditions now prevailing. Later, the usual provision may be necessary by way of further supplementary estimates for a moderate amount of additional expenditures not taken care of in the main estimates. With this procedure the public will be assured that the aggregate of those authorizations will represent at least the maximum to be expended during the present fiscal year. I am convinced that this traditional procedure will make far sounder and more economical administration.

Such savings as can be made in ordinary expenditures by more effective control on the part of spending departments and by a painstaking search for economies, elimination of waste and duplication of effort, will be effected to the maximum possible extent. It is apparent, however, that the opportunity for reductions, except by elimination of essential services is limited.

The two major obstacles to a balanced budget are the cost of unemployment relief including relief undertakings and the Canadian National Railways deficit. Canada's success in reducing these two classes of expenditure will be the measure of her progress both in achieving a balanced budget and also in furthering the march of recovery.

In so far as the Canadian National is concerned, the house is now familiar with the progress already made. As shown by the special supplementary estimates, the railway

is asking us this year for \$39,900,000 on account of its net income deficit for the present calendar year. This compares with \$47,400,000 in 1935 and with the depression peak of \$62,100,000 in 1932. In view of the railway measures now before the house, this is not the appropriate time at which to discuss the government's railway policy. I may say, however, that we are confident that this cash deficit can be further substantially reduced as a result of the measures which will be taken to place the management of the road on a more responsible basis.

In regard to the other major cause of our deficits, the outlines of a well-knit and comprehensive program designed to meet the unemployment problem have already been presented to the house. For the first time since the depression began, a serious effort has been made to compile the statistics necessary to give us the essential factual basis for analyzing the range and specific character of the problem with which we are faced. If diagnosis should precede remedy, that step should commend itself. In the second place, we have provided for the appointment of a representative national commission which will

be charged with the functions of investigating relief methods and policies now in effect of enlisting the cooperation of the provinces, the municipalities, employers and employees' organizations and other public and private agencies throughout the dominion, and of making recommendations as to the best methods of handling relief and providing remunerative employment. In other words, we are seeking to mobilize all our resources in a nation wide cooperative attack on this, the most urgent of our immediate national problems. Finally, we are providing in the special supplementary estimates for the money necessary to meet direct relief costs and to carry on a program to provide employment through constructive undertakings on a scale commensurate with our financial resources.

ESTIMATED REVENUES 1936-37

Knowing what our total expenditures are likely to be, we are now in a position to consider what taxation and other revenues we should budget for. On the basis of the tax and tariff rates now in effect, it is estimated that the revenues for the present fiscal year will aggregate \$387,850,000 derived from the usual sources as follows:

Taxation revenue:

Customs duties.. . . .	\$ 75,000,000
Excise duties.. . . .	46,000,000
Income tax.. . . .	87,000,000
Sales tax.. . . .	80,000,000
Manufacturers', stamp, importation and other special taxes.. . . .	42,000,000

Total taxation revenue.. . . .	\$330,000,000
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Non-tax revenue:

Post Office.. . . .	\$ 33,500,000
Interest on investments.. . . .	11,350,000
Other sources.. . . .	13,000,000

Total non-tax revenue.. . . .	\$ 57,850,000
Grand total revenue.. . . .	\$387,850,000

As the main estimates and the special supplementary estimates call for expenditures of over \$509,000,000 to which will have to be added any further supplementary estimates, it is apparent that the deficit for the year would probably total over \$125,000,000 without taking into account possible losses on wheat, unless provision is made for additional revenue by way of new or increased taxes. For the reasons already given, vitally affecting, as I believe, our national welfare, I feel it necessary to budget for a deficit this fiscal year of less than \$100,000,000, not taking into account any further losses resulting from wheat marketing operations which of course are unpredictable. If this can be accomplished, it will represent a definite improvement compared with the deficit of \$162,000,000 for the last fiscal year.

It therefore becomes necessary to provide for additional taxation revenue in the amount of approximately twenty-eight to thirty million dollars. In imposing new tax levies, one must bear in mind the desirability of avoiding any undue retarding effect on business recovery. The information which I have given in the early part of this address indicates that the national income is surely and steadily rising. I am confident, therefore, that the amount of new taxation which we feel it necessary to impose will not have a deterrent effect on the business trend which is now definitely upward. Rather do I believe that business men and the public generally will gain new confidence from our endeavour to grapple vigorously with our problems of national finance and will be willing to cooper-

ate whole heartedly in sharing the new burdens which are believed necessary.

It is now my task to outline the changes in our taxation and tariff structure which are proposed.

INCOME TAX

The most important change to be made under the Income Tax Act and the first proposal for raising additional revenue is an increase in the ordinary rate of tax on corporations from $13\frac{1}{2}$ per cent to 15 per cent. At the same time, where returns are consolidated, the rate will be raised from 15 per cent to 17 per cent. In view of the extent to which provincial governments are now levying personal income taxes, and in view also of the surtax on investment income imposed by the dominion last year, it is not proposed to alter the existing schedule of rates on individual incomes.

My next proposal relates to the metal mining industry. The contribution which this industry has made to the economic well-being and indeed to the financial integrity of the dominion during the depression years is well known. Great as its development has already been, a much greater future appears to lie in store. In the opinion of many, we have little more than begun to tap the varied mineral wealth of this country. Moreover, the most important branch of the industry, namely, gold mining, is in the fortunate position of producing a commodity for which the demand appears to be unlimited. In other industries production cannot be speeded up without creating oversupply and breaking the market. In the case of gold, however, overproduction seems under present conditions to be impossible and the price remains fixed at least for long periods of time. On the other hand, the industry is one in which the risks are great, especially in the initial stages. Exploration and development require expenditure of large amounts of capital over a considerable period of time. Private enterprise, therefore, can only be induced to enter the field if the prizes to be gained for the relatively few successes are attractive.

Because of these special characteristics, the industry appears to offer a unique opportunity for a constructive governmental policy designed to stimulate an expansion of mining activity with its resultant effects on employment and purchases of supplies and materials. The government therefore proposes to grant exemption from corporate income tax to any metalliferous mine coming into production between May 1, 1936, and January 1, 1940, such exemption to apply to its income for

the first three years following the commencement of production. This definite step to encourage the development of the mining industry combined with the additional provision for geological surveys and investigations and for transportation facilities into new mining areas made in the main and special supplementary estimates should do much to accelerate new exploration and development work during the present year and the following two or three years. I desire to add that as uncertainty of taxation is a definite deterrent to the making of new commitments in a hazardous industry, the mining industry may rely upon it that this government will not impose discriminatory taxation with respect to mines. While the present government is in power, mining enterprises can depend upon treatment at least as favourable as that accorded to other industries under the corporation income tax.

In view of the decline in interest rates, it is intended to reduce the rate of interest on unpaid instalments of income tax from 6 per cent to 5 per cent, and to lower the penalty rate of interest with respect to overdue tax from 4 per cent to 3 per cent.

The gift tax is to be altered by requiring that payment of the tax shall be made annually rather than at the time each gift is made. Furthermore, gifts up to \$1,000 annually to any one person will be exempt from the provisions of the gift tax in future.

Finally, important changes are being made in the treatment of companies which have technically come to be known as "4 (k) companies"—in other words, incorporated companies "whose business is not only carried on but whose assets, also, are situate entirely outside of Canada." This category will be reserved exclusively for the type of industrial or commercial operating company for which it was originally created. A new category will be provided for investment holding companies wholly owned by non-residents, which will be required to pay a tax on their income at a rate equal to half the ordinary rate on corporate incomes. Credit on this tax will be given in respect of the 5 per cent tax paid on last year's income distributed to non-resident shareholders, but such companies will be required to pay the 5 per cent non-resident tax on income accumulated but not distributed during the period after the 5 per cent tax first went into effect and up to the coming into effect of this new tax. In future these companies will, of course, not have to pay the 5 per cent tax on dividends paid to their non-

resident shareholders but will be taxed at the higher rate on their income.

These changes in income tax, it is anticipated, will provide for an increase in revenue of approximately \$6,000,000.

SALES TAX

As a means of raising a substantial amount of the additional revenue which must be obtained in the ensuing year it is proposed to increase the rate of sales tax from 6 per cent to 8 per cent. It was our view that a moderate increase in the existing sales tax which covers the broad field of merchandise transactions and for which efficient and economical machinery for collection is already in operation would be clearly preferable to singling out a few particular items to bear an unjustly heavy burden. I do not intend to impose "nuisance" taxes in an effort to raise more revenue but rather to utilize our existing taxation structure.

A few changes are to be made in the schedule of exemptions from the sales tax. With a view to simplifying administration and eliminating double taxation certain materials consumed in the process of manufacture commonly known as "consumable materials" but not including lubricating or fuel oils or plant equipment will be placed on the exempt list. Paper and ink used in magazines and periodicals will also be given exemption. The only other items to be granted relief from sales tax are crushed stone and crushed gravel used in the building or maintenance of provincial, county and township roads; liver extract for use in the treatment of anaemia; educational films; and handmade drawings, or designs for use in a number of manufacturing industries.

It is estimated that as a result of the above changes in the sales tax the revenue therefrom will be increased by approximately \$23,000,000.

EXCISE TAXES

The most important changes in excise taxes arise through the recent report of the Tariff Board regarding the automobile industry. At present there is a 5 per cent and 10 per cent tax on automobiles imported or produced in Canada with exemptions given in terms of price and extent of cost of production, incurred in Canada or in British countries. Following the recommendations of the Tariff Board in connection with this item, it is proposed to replace the existing rates with a flat rate tax of 5 per cent on all automobiles, regardless of Canadian or empire content, on the value in excess of \$650. At the same time, it is provided that in no case shall the tax per automobile exceed \$250.

A further recommendation which is being accepted is that tires and tubes shall not be subject to excise tax when purchased by

manufacturers producing less than 10,000 automobiles or chassis each year if at least 50 per cent of factory cost is incurred in the British empire. However, a manufacturer producing more than 10,000 automobiles must have incurred at least 60 per cent of factory cost in the British empire in order to qualify for this exemption.

Other changes in excise taxes levied under the Special War Revenue Act are of minor importance. It is proposed to reduce the tax on cigarette paper tubes from three cents to two cents per hundred in order to equalize the rates on flat papers and tubes. With regard to the 3 per cent special excise tax on imports, the changes contemplated are confined to a few additions to the schedule of exemptions, including materials used in the manufacture of binder twine and fishing rope, paintings under tariff item 695a; educational films; and handmade drawings or designs for use in a number of manufacturing industries.

EXCISE DUTIES

Proposed changes in the Excise Act are limited to a few relatively unimportant adjustments. The first of these equalizes the excise duty on Canadian brandy with the customs duty on brandy imported from South Africa and Australia by lowering the excise duty rate from four dollars per gallon to three dollars. The second proposed adjustment is a reduction of one dollar per gallon in the rate of excise duty on spirits used in medicines, extracts and pharmaceutical preparations in order to bring it into line with the rate applying to spirits used in the manufacture of perfumes. Finally the excise duties on imports of leaf tobacco are to be removed from the Excise Act and transferred at the same rates to the customs tariff.

CUSTOMS TARIFF

To-day's customs tariff proposals relate to both the Tariff Act and the various schedules thereto. Having in mind that they follow closely upon the tariff revision effected by the Canada-United States trade agreement and immediately precede negotiations with the United Kingdom, it will, I think, be generally admitted that they are extensive and important. For purposes of record, the proposed amendments may be classified as follows:

Reductions under all tariffs.. . . .	37
Reductions under British preferential tariff only.. . . .	30
Reductions under British preferential and intermediate only.. . . .	20
Reductions under intermediate only.. . . .	11
Reductions under intermediate and general only.. . . .	6

Increases under intermediate and general only..	7
Increase under intermediate only..	3
Increases under general tariff only..	2

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12

Changes in the act itself include provisions for a clearer definition of the heretofore indefinite phrase "of a class or kind made in Canada" and for a more just and equitable administration of the so-called "dumping clauses."

Amendments proposed in the tariff schedules, while not unusually great in number, affect many commodities of extreme importance in our national economy. Obviously it is impossible for me to touch upon all of these in the course of my remarks: I trust that honourable members will read the resolutions of which I shall give notice at the conclusion of this address, and which will form part of it in Hansard in the morning, for details with respect to many items. I shall, however, make brief reference to some items, or groups of items, in respect of which changes in duties are contemplated.

By direction of my immediate predecessor in office, the Tariff Board has been reviewing duties applying to motor vehicles, cotton products, gasoline, and yarns and fabrics of artificial silk; and, at my request, has conducted an investigation into the present state of the furniture industry. I am to-day able to lay on the table—in fact I have presumed upon the goodness of the house to have them placed on the table in advance of my address, because of their bulk—reports from the board relating to these subjects. After careful consideration, the government has decided to accept in each instance the rates of duty recommended by the board.

Broadly speaking, the policy proposed in respect of automobiles is, I believe, one that will maintain the industry in Canada and, at the same time, guarantee fair prices to consumers. The relation—a vitally interdependent one—of the so-called "parts" industry to that of the huge manufacturing and assembling plants has been closely studied, and a feature of the new schedule is the manner in which the attainment of a high degree of Canadian content in the completed vehicle is encouraged. It will be remembered that under the Canada-United States agreement recently approved by parliament, the duties on automobiles were reduced from 20, 30 and 40 per cent, respectively, on the three price ranges, to 17½, 22½, and 30 per cent, respectively. It has been decided to make the existing intermediate tariff of 17½ per cent

apply to all automobiles and trucks—all of which, (including parts for original equipment, replacement or repair) will be free of duty under the British preferential tariff.

The reference to the Tariff Board on yarns and fabrics of cotton arose from a request by His Majesty's Government in the United Kingdom, under the provisions of the agreements of 1932, for a review of the duties on these goods under the British preferential tariff. The board was obliged, therefore, in its appraisal of the situation—domestic and British—to use the yardstick stipulated by those agreements, namely: the equation of the relative costs of production in the two countries. The board has kept within the terms of its reference and within the letter and spirit of the agreement; and the government, in tabling its report and accepting its recommendations, desires to do the same. It is proposed, therefore, to remove entirely the specific duties on yarns and fabrics of cotton, under the British preferential tariff. It is proposed, further, as properly following the reduction on yarns and fabrics, to revise the specific duties applying to cotton clothing, wearing apparel and manufactured articles of cotton, by removing these duties entirely on imports under the British preferential tariff and by reducing them by one-half on imports under the intermediate tariff.

The vital feature of the changes in the petroleum schedule is the reduction of the intermediate rate on gasoline to one cent per gallon as compared with a rate, until recently effective, of 2½ cents. This reduction should be of great importance to users of gasoline throughout Canada and it is confidently believed that it can be effected without injury to the Canadian refining industry.

In accordance with the results of the board's inquiry into the tariff situation surrounding artificial silk, it is proposed, under the British preferential tariff, to remove entirely the specific duties on both yarns and fabrics, to reduce also the ad valorem rate on acetate yarns, and to adjust the ad valorem rate on the fabrics. As a corollary to this reduction, the government proposes to reduce both the British preferential and intermediate duties on clothing, wearing apparel and manufactured articles of artificial silk, this reduction on the completely-finished articles being designed to pass on to the consumer the advantage in reduction of raw material duties given to those who cut up the materials and manufacture the garments.

The report on furniture is an interim one and recommends no change in the existing intermediate tariff rate of 30 per cent.

In the case of many commodities covered by to-day's resolutions, downward revision of duty has been confined to the British preferential tariff. These—additional to cotton and artificial silk products already dealt with—include many of outstanding importance to United Kingdom producers and Canadian consumers. I may illustrate by stating that scheduled reductions which are confined to the British preferential tariff—and entailing in several instances the removal of all duty—include such goods as chemical earthenware, steel machinery of a class or kind not made in Canada, tea waste, malt extracts and powders, dental forgings, fire engines, iron and steel machinery not separately enumerated, desiccated cocoanut, and all non-enumerated articles of iron or steel. Closely related to these are those items on which reductions, while operative under both British preferential and intermediate tariffs, will, in most instances, give the United Kingdom producer a better trading position in this market; in this connection I might refer to glass articles for mounting, heat-resisting glassware, nickelled and other plated ware and polished steel tubing.

BRITISH PREFERENTIAL TARIFF

May I at this point say a few words regarding changes at this time in the British preferential tariff. In negotiating recently with the United States, this government took scrupulous care to respect in letter and spirit every syllable of the agreements effected in 1932 with various countries of the British empire. Although the Liberal opposition of that day had registered disapproval of the conference agreements on the ground that in too many instances they established preferences by raising duties against other countries, nevertheless that opposition, now become the government of the day, has seen to it that every commitment was respected. No guaranteed British margin was impaired. Indeed, many preferences that might with warrant have been deemed not to be in that class were deliberately set aside as not open to negotiation, sometimes at considerable cost to Canada in the matter of bargaining.

And yet it is obvious that, although the agreements have been respected, the trading advantage here of British countries—notably, of course, the United Kingdom—is not so great as it was prior to the Canada-United States agreement. The very fact of admitting the United States to the benefits of our intermediate tariff produced that result. In the near future Canada must again sit at a table with the United Kingdom to consider a new agreement. It is obvious that, in such negotiations, Great Britain will seek such conces-

sions as will, in her opinion, enable her to increase her trade with Canada. In such negotiations, needless to say, the Canadian government will take equally scrupulous care to observe the letter and the spirit of the Canada-United States trade agreement.

Canada cannot give everything to-day and bargain to-morrow, but Canada can, and this government does, give to-day to empire countries such concessions as will, I am sure, be accepted in the spirit in which the British preference was conceived. In this spirit this government, since coming into office, has seen to it that unnecessary impediments to inter-empire trade have been removed, that vexatious restrictions have been lessened and that arbitrary regulations have been altered or abolished. It has interested itself in the increase of inter-empire trade both by imports from the empire as well as exports to the empire; and under to-day's resolutions it proposes easier access to this country for certain empire commodities. The proposed reductions in the British preferential tariff are in no sense elements in a bargain. Concessions they are, both to Canadian consumers and to British producers, but concessions made in the firm belief that only from mutually advantageous exchange of commodities can come that common benefit in which should lie both the origin and the objective of intra-empire trade arrangements. Canada knows full well that Great Britain, when the day of conference comes, will not be unmindful or forgetful of Canada's past record in the matter of preferential treatment in this market for British products—a record crystallized to-day in the fact that close upon seven hundred items in Canada's tariff schedules, practically half the items in the entire list, have against them the word "free" in the British preferential column.

OTHER TARIFF CHANGES

Reductions under all tariffs are proposed on a wide range of varied commodities, including biologicals for the diagnosis or treatment of diseases, materials used in the production of periodical publications, numerous petroleum products other than gasoline, ditchers and tractors of all kinds, safety equipment of all kinds, printing and press-room equipment, precision tools, draughtsmen's and surveyors' instruments, various articles for use in hospitals, certain soya bean products, all articles used by the blind, rolling mill and paper mill rolls and feeds for fur-bearing animals.

The effective tariff on agricultural implements, now the intermediate, is reduced to 7½ per cent, being further to the reduction from 25 per cent to 12½ per cent effected under the Canada-United States agreement.

As a gesture of good will and an earnest of intention to widen Canadian trade with the Irish Free State, reductions in duty, to be applicable under the British preferential tariff only, are proposed on certain products peculiarly identified with the Irish Free State and requested by that country, namely: stout, prune wine and Irish poplin.

Preferential treatment for empire-grown tobaccos is provided, in the belief that Southern Rhodesia may be able thereby to cater effectively to Canada's requirements in tobaccos of the oriental type, hitherto imported entirely from non-empire countries.

The preference in favour of Australia on raisins and dried currants, which lapsed on March 31, last, is renewed, at four cents per pound.

An interesting and much anticipated item is that giving statutory recognition to the undertaking in connection with the United States under the recent agreement, relative to the privilege to be accorded to Canadians returning from abroad of bringing into Canada, free of duty, personal purchases to a value of \$100.

Solely on the grounds of public health, the importation of textile waste derived from used mattresses is prohibited, unless such mattress waste be certificated as to proper fumigation, cleaning, etcetera.

COUNTERVAILING DUTIES

In introducing the budget of May 1, 1930, I made the following statement regarding countervailing duties:

There are certain commodities which are or will become of double significance in Canada's trade with the world, both as imports and exports. On such commodities our policy has been, and is, to avoid extreme rates of duty, and we propose, regarding these products, to maintain in general the existing rates of duty.

It has been decided, however, to embody within the wording of a limited number of items of this class provision for a "countervailing duty" whereby Canada, while not generally raising its schedule rates, imposes upon such products from another country rates equivalent to those imposed by that country upon the identical Canadian product, where these are higher than the rates enumerated in the Canadian tariff schedule. This means that other countries who both buy from and sell to us these commodities, have it in their own power, by reciprocal action on their part, to enable us to reduce duties to the level of the rates stated in our tariff.

I have quoted my remarks of that date for the reason that they still serve perfectly to express my opinions regarding countervailing provisions which to-day's resolutions apply to three natural products: cut flowers, potatoes and eggs. These three commodities were included in the list of May 1, 1930, and that they are again singled out for such treat-

ment is due to the fact that the late administration in wiping out in September, 1930, the countervailing provisions of the May budget, did not provide, under the intermediate tariff, a duty more in line with the general tariff on eggs and, what is more important, failed to provide any duty whatsoever on potatoes or cut flowers. The weakness of Canada's bargaining position in respect of these commodities became speedily apparent in the Washington negotiations, so much so that this government declined to bind these items at the existing intermediate rate, thus giving clear indication that it might, at the first opportunity, see fit to recommend to parliament a revision of these ratings. In so recommending to-day, may I make clear that our attitude continues to be that of 1930; we do not desire or intend to raise tariffs; we do by the countervailing duties invite other countries to bring their tariffs down to the level of ours.

In 1935 there was inserted in the tariff item relating to steel plate a proviso to the effect that, regardless of any other law to the contrary, the anti-dumping provisions should not apply to plate more than 66 inches in width. Thus to select a solitary commodity for such treatment was, to say the least, to make an invidious distinction and it is proposed to allow the anti-dumping provision to apply to all products to which the law says it should, under given conditions, apply. In the interests of justice and equity, therefore, and without any regard whatsoever to the effect upon the quantum of tariff protection afforded, it is proposed to delete from this item the proviso in question.

TARIFF BOARD REPORTS

There will be tabled to-day, in addition to those to which I have made specific reference, reports by the tariff board resulting from inquiries regarding the following commodities: Thrown yarns of artificial silk, buttons and button moulds, forged steel rolls, rice for processing, rhinestones and metal beads, containers of paperboard or fibreboard and photographic apparatus. Not all of these suggest or recommend tariff changes but, in accordance with the provisions of the Tariff Board Act, they will be made available to this house.

SUMMARY

Regarding to-day's tariff proposals, may I say that these are formulated on the principle that the most enduring kind of progress is orderly progress—and that applies equally whether one's intended direction in the im-

position of taxes be downward or upward. Extremes defeat their own purpose; violent fluctuations one way or the other are mere leaps in the dark. Intelligent and unprejudiced appraisal of to-day's tariff situation in Canada will reveal sound reasons, apart altogether from the general principles I have just enunciated, why the best results are to be secured by deliberate, considered and related stages. There is, for example, our position with respect to British countries, to which I have referred. And, in the purely domestic sphere, there is the fact so readily overlooked: that this government, in extending to the United States the benefits of the intermediate tariff, effected at one stroke the most thorough-going downward revision of the customs tariff of Canada since the inception of that tariff—as a consequence of which act, together with the changes now proposed, commodities imported from the United States under at least 200 of the most important items in the tariff will pay lower rates of duty than they would have paid had they been so imported after the adoption of the May 1st budget of 1930.

In concluding this address, it is natural that my thoughts should go back to the last occasion on which I had the honour of presenting the budget six years ago to-day. The great change both in world conditions and conditions in Canada during that interval constitutes a challenge without precedent to the ability, the judgment and the broad patriotism of those charged with public responsibilities.

The government of Canada is making earnest and sustained efforts to meet this challenge and to grapple with the manifold problems of the country. I would ask the house and the country to accept the proposals I have made to-day as part of a conscientious effort to promote the best interests of the people of Canada.

Resolutions

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

INCOME WAR TAX ACT

Resolved, That it is expedient to amend the Income War Tax Act and to provide:

1. That the corporation rate of tax shall be increased from thirteen and one-half per centum to fifteen per centum;

2. That where a consolidation is permitted the corporation rate of tax shall be increased from fifteen per centum to seventeen per centum;

3. That payment of the gift tax be made annually;

4. That gifts to any one person which in the aggregate do not exceed one thousand dollars in the calendar year be exempt from the provisions of the gift tax;

5. That the rate of interest on unpaid instalments of tax be reduced from six per centum to five per centum;

6. That the penalty rate of interest in addition to the interest provided for in the foregoing resolution in respect of unpaid overdue tax be reduced from four per centum to three per centum;

7. That a tax of five per centum be imposed at the source on payments by Canadian debtors to non-residents in respect of films whether copyrighted or not;

8. That any metalliferous mine that comes into production after the first day of May nineteen hundred and thirty-six and prior to the first day of January nineteen hundred and forty shall be exempt from income tax for the first three fiscal periods following the commencement of production;

The minister, under appropriate regulations, shall determine the date of commencement of production and the properties, new or old, that shall be determined as having come into production, having regard to the production of ore in reasonable commercial quantities, and shall issue a certificate accordingly.

9. That (a) an Investment Holding Company all of whose shares (qualifying shares excepted) are held by non-resident persons shall not be afforded the exemption provided by paragraph (k) of section four of the act, but shall be subject to a tax equal to one-half of the prevailing corporate rate of tax imposed upon Canadian companies;

(b) the five per cent tax on dividends paid to such non-resident shareholders by such Investment Holding Company shall not apply, except as hereinafter provided;

(c) in determining the taxable income of such Investment Holding Company a deduction shall not be allowed in respect of any interest payments or of taxes paid abroad;

(d) any five per cent tax paid by such companies in nineteen hundred and thirty-five shall be allowed as a deduction from the tax otherwise payable in respect of the said year;

(e) to the extent that five per cent tax has not been incurred in respect of the earnings of nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five, the five per cent tax shall continue to be imposed until the undistributed accumulated earnings of the said years have been made subject to the said tax;

(f) paragraph (k) of section four of the act shall be amended to apply to industrial and commercial operating companies only;

10. That any enactment founded on the provisions of these resolutions shall be deemed to have come into force at the commencement of the calendar year nineteen hundred and thirty-five and to be applicable thereto and to fiscal periods ending therein and to all subsequent periods, except as otherwise provided.

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927, and amendments thereto and to provide:

1. That part VII of the said act be amended to provide for the taxation of every change

of ownership of any participating interest in the operations or profits of any association, company, corporation, fund or trust not divided into shares at the rate of one-tenth of one per cent of the value of every such participating interest so transferred or assigned;

2. That subsection two of section seventy-seven A of the said act, as enacted by section twelve of chapter fifty of the statutes of 1932-33 and amended by section two of chapter forty-two of the statutes of 1934, be further amended by providing that the excise tax on packages of cigarette paper tubes be reduced from three cents to two cents for each one hundred cigarette paper tubes or fraction thereof;

3. That the rate of consumption or sales tax imposed by subsection one of section eighty-six of the said act, as enacted by section eleven of chapter fifty-four of the statutes of 1932, be increased from six per cent to eight per cent;

4. That Schedule I to the said act, as amended by section twenty-six of chapter fifty of the statutes of 1932-33, and by section six of chapter thirty-three of the statutes of 1935, be further amended by repealing section one thereof and substituting the following:

1. Automobiles adapted or adaptable for passenger use:

- (a) valued at not more than six hundred and fifty dollars. free
- (b) valued at more than six hundred and fifty dollars, on the amount in excess of six hundred and fifty dollars. 5 per cent

Provided that the tax collected under paragraph (b) above shall in no case exceed two hundred and fifty dollars per automobile.

Provided further that the tax shall not apply to automobiles imported:

(a) under Customs Tariff items 702, 706, 707 and 708;

(b) by a bona fide settler on a first arrival;

(c) by a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country.

5. That schedule II to the said act, as enacted by section seventeen of chapter forty-two of the statutes of 1934, be amended by adding to paragraph (iii) thereof the following:

Provided, also, that the tax imposed under paragraph (iii) shall not apply to the goods mentioned therein, when sold to or imported by manufacturers of automobiles or chassis under the following conditions:

(a) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

(b) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British empire;

Provided, however, that effective April 1, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph.

6. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax, as enacted by section eighteen of chapter forty-two of the statutes of 1934, and amended by section seven of chapter thirty-three of the statutes of 1935, be further amended by adding to the said schedule the following:

Materials, not to include lubricating or fuel oils or plant equipment, consumed in the process

of the manufacture or production of taxable goods;

Crushed stone or crushed gravel to be used exclusively in the building or maintenance of provincial, county or township roads;

Printing paper and printing ink for use exclusively in producing quarterly, bi-monthly, monthly and semi-monthly magazines and weekly literary papers unbound;

Liver extract for use exclusively in the treatment of anaemia;

Goods enumerated in Customs Tariff items 695b and 696a.

7. That schedule V to the said act, as enacted by section nineteen of chapter forty-two of the statutes of 1934 and amended by section nine of chapter thirty-three of the statutes of 1935, be further amended as follows:

i. By inserting therein after the words "not to include" in the second line thereof the words "automobiles adapted or adaptable to passenger use";

ii. By adding thereto the following:

Goods enumerated in customs tariff items 695a, 695b and 696a;

Materials for use in the manufacture of binder twine and fishing rope.

8. That any enactment founded on paragraphs one to seven inclusive of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that date.

EXCISE ACT

Resolved, That it is expedient to introduce a measure to amend the schedule to The Excise Act, 1934, as amended by chapter twenty-nine of the statutes of 1935 and to provide:

1. That the duty of excise on Canadian brandy be reduced from four dollars to three dollars per proof gallon;

2. That the duty of excise imposed upon spirits used in the manufacture of patent and proprietary medicines, extracts, essences and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

3. That the duty of excise imposed upon spirits, sold to licensed druggists and used exclusively in the preparation of prescriptions for medicines and pharmaceutical preparations be reduced from two dollars and fifty cents to one dollar and fifty cents per proof gallon;

4. That paragraphs (d) and (e) of section six of the said schedule, being the duties imposed upon imported leaf tobacco unstemmed and imported leaf tobacco stemmed be repealed;

5. That any enactment founded on paragraphs one, two, three and four of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six.

CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapter six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934

and chapter twenty-eight of the acts of 1935, be further amended by striking thereout subsection one of section six thereof and substituting therefor the following:

(1) In the case of articles exported to Canada of a class or kind made or produced in Canada, if the export or actual selling price to an importer in Canada is less than the fair market value of the same article when sold for home consumption in the usual and ordinary course in the country whence exported to Canada at the time of its exportation to Canada, or is less than the fair market value or value for duty thereof as determined under the provisions of section thirty-six of the Customs Act, or is less than the value for duty thereof as determined by the minister under the provisions of paragraphs (a) and (e) of section forty-one of the Customs Act, or is less than the fair market value thereof as fixed under the provisions of section forty-three of the Customs Act, there shall, in addition to the duties otherwise established, be levied, collected and paid on such article, on its importation into Canada, a special or dumping duty, equal to the difference between the said selling price of the article for export and the said fair market value thereof or value for duty thereof; and such special or dumping duty shall be levied, collected and paid on such article although it is not otherwise dutiable.

Provided that when it is established that any articles though of a class or kind made or produced in Canada are not offered for sale to the ordinary agencies of wholesale or retail distribution or are not offered to all purchasers on equal terms under like conditions, having regard to the custom and usage of trade, such articles may be exempted from special or dumping duty.

Provided that the said special duty shall not exceed fifty per centum ad valorem in any case, and the following goods shall be exempt from such special duty, viz.:—

Goods of a class subject to duty under the Excise Act.

Provided, notwithstanding, that on importations from Australia under the Australian Trade Agreement Act, 1925, the said special duty shall not exceed fifteen per centum ad valorem in any case.

2. Resolved, That the aforesaid section six of the Customs Tariff be further amended by striking thereout subsection eight thereof and substituting in lieu thereof the following:

(8) The minister may make such regulations as are deemed necessary for carrying out the provisions of this section and for its enforcement, and such regulations may also provide for the exemption from special or dumping

duty of any imported article when the minister is satisfied that the article or class of articles is not available at fair competitive prices in any consuming market in Canada owing to the remoteness of such market from the Canadian source of supply.

3. Resolved, That the aforesaid section six of the Customs Tariff be further amended by adding thereto the following subsection:

(10) For the purposes of this act articles shall not be deemed to be of a class or kind made or produced in Canada unless so made or produced in substantial quantities; and the governor-in-council may by order-in-council provide that such quantities, to be substantial, shall be sufficient to supply a certain percentage of the normal Canadian consumption and may in such order fix such percentage.

4. Resolved, That the French version of tariff item 691 of schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as enacted by section five of chapter twenty-eight of the statutes of 1935, be amended by striking out the word "croix" in the second line of the said item and substituting therefor the word "croasses."

5. Resolved, That schedule A to the Customs Tariff being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the acts of 1928, chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapter forty-one of the acts of 1932, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934, and chapter twenty-eight of the acts of 1935, be further amended by striking thereout tariff items 16, 28, 28a, 35, 79b, 83(a), 99c, 113, 142, 147, 168, 173, 178, 180a, 183, 199b, 200a, 206, 206a, 208b, 208i, 219d, 219e, 224, 259, 267, 267a, 267b, 268, 269, 270, 271, 272, 273, 274, 275, 284, 286, 288, 312a, 323, 326a, 362, proviso to 380(b), 404b, 409b to 409k inclusive, 409l, 409m, 409n, 409q, 410d, 411b, 412, 412a, 422a, 424, 427, 427a, 428a, 428b, 429(a), 429(g), 430, 430a, 431b, 431c, 435, 438a, 438b, 438c, 438d, 438e, 438f, 438h, 438i, 445a, 445f, 445g, 445k, 445m, 446a, 455, 462, 463, 473, 476a, 494b, 505, 513, 522, 522c, 523, 523a, 523b, 529, 529a, 532, 558b, 558d, 561, 564b, 567a, 569c, 569e, 584a, 584b, 587a, 603, 607 (Part 2), 657a, 663c, 672a, 695, 695b, 698, 698a, 703, 718, 783, 802, 811, 813, 818, 821, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
9c	Horse meat, tripe and other animal offal, unfit for human consumption, and cereal meal, when for use exclusively in the feeding of fur-bearing animals....	Free	Free	Free	15 p.c. 2 cts. 15 p.c.	25 p.c. 2½ cts. 17½ p.c.	25 p.c. 5 cts. 20 p.c.
9d	Baby chicks, n.o.p..... each	Free	4 cts.	5 cts.	12½ p.c.	17½ p.c.	20 p.c.
16	Eggs in the shell..... per dozen Provided that, if any foreign country imposes on such goods the produce of the Dominion of Canada duties or charges more onerous than are prescribed by this item, duties equivalent thereto shall be imposed on the like goods imported into Canada from such country.	2 cts.	5 cts.	10 cts.	2 cts. (No countervailing provision)	5 cts.	10 cts.
28	Coffee, green, imported direct from the country of growth and production, or purchased in bond in the United Kingdom..... per pound Provided, that coffee, green, shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such coffee has been produced wholly in the British dominions, colonies or possessions, and not otherwise.	Free	3 cts.	5 cts.	Free	3 cts.	3 cts.
28a	Tea, imported direct from the country of growth and production, or purchased in bond in the United Kingdom or in any British possession..... per pound When in packages weighing five pounds, each, or less, the weight of such packages to be included in the weight for duty. Provided, that tea shall be entitled to entry under the British Preferential Tariff upon evidence satisfactory to the Minister that such tea has been produced wholly in the British dominions, colonies or possessions, and not otherwise.	4 cts.	8 cts.	8 cts.	4 cts.	8 cts.	8 cts.
28b	Tea dust, sweepings or waste, when imported by manufacturers of caffeine, crude or refined, for use exclusively in the manufacture of caffeine, crude or refined, in their own factories.....	Free	.....	.....	4 cts.	8 cts.	8 cts. (per pound)

Tariff Item		British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
163a	Prune wine, not sparkling, when containing not more than thirty-eight per centum of proof spirit per gallon Provided, that six quart bottles or twelve pint bottles be held to contain a gallon for duty purposes under this item.	25 cts.	.....	.....	55 cts. and	55 cts.	55 cts. 30 p.c.
168	Malt flour containing less than fifty per centum in weight of malt; malt syrup or malt syrup powder; extracts of malt, fluid or not; grain molasses—all articles in this item upon valuation without British or foreign excise duties, under regulations prescribed by the Minister .....	.....	5 cts. 30 p.c.	10 cts. 35 p.c.	3 cts. 20 p.c.	5 cts. 30 p.c.	10 cts. 35 p.c.
173	Books for the instruction of the deaf or dumb	Free	Free	Free	Free	Free	Free
178	Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets; advertising chromos, chromo-types, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p. per pound	5 cts.	12½ cts.	15 cts.	5 cts. but not less than	12½ cts.	15 cts. 35 p.c. under the General Tariff.
180a	Provided, that on importations under the Intermediate or the General Tariff, the rate of duty shall be not less than .....	.....	27½ p.c.	35 p.c.	.....	.....	.....
180b	Photographs for use only as news illustrations, under regulations by the Minister	Free	Free	Free	Free	Free	Free
180d	Photographs, paintings, pastels, drawings and other art work and illustrations of all kinds, whether	.....	.....	.....	Free 15 p.c.	Free 22½ p.c.	Free 22½ p.c.

183	originals, copies or proofs, for reproduction in periodical publications enjoying second-class mailing privileges, (other than daily newspapers).....	Free	10 p.c.	25 p.c.	Free 15 p.c. 15 p.c.	Free 22½ p.c. 25 p.c.	Free 22½ p.c. 25 p.c.
197d	Newspapers, or supplemental editions or parts thereof, partly printed and intended to be completed and published in Canada; comic and pictorial sections, non-advertising, to be inserted in or folded with periodical publications entered for mailing purposes as second-class matter.....	Free	Free	Free	Free 15 p.c.	25 p.c. 22½ p.c.	25 p.c. 22½ p.c.
199b	Issue paper made from mulberry pulp, not coated nor impregnated, when imported by manufacturers of stencils for duplicating machines for use exclusively in the manufacture of such stencils in their own factories.....	Free	10 p.c.	25 p.c.	15 p.c.	25½ p.c.	25 p.c.
200a	Containers wholly or partially manufactured from fibreboard or paperboard.....per pound Provided, that in no case shall the rate of duty under the Intermediate or the General Tariff be less than.....	1 ct.	1½ cts.	1½ cts.	1 ct.	1½ cts.	1½ cts, but not less than 35 p.c.
206	Regenerated cellulose, and cellulose acetate, transparent, in sheets, not printed, and manufactures of regenerated cellulose or of cellulose acetate, n.o.p....	20 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
208a	Dragon's blood; fuller's earth, in bulk only, not prepared for toilet or other purposes; litmus and all lichens, prepared or not prepared; musk, in pods or in grain; quassia juice; saffron, saffron cake, safflower, and extracts of; quinine, salts of; cochineal; ferment cultures to be used in butter-making.....	Free	Free	Free	Free	Free	Free
208b	Biological products, animal or vegetable, n.o.p., for parental administration in the diagnosis or treatment of diseases of man, when manufactured under license of the Department of Pensions and National Health under regulations prescribed by the Food and Drugs Act.....	Free	Free	Free	Free 15 p.c. 20 p.c. 25 p.c.	Free 25 p.c. 25 p.c. 40 p.c.	Free 25 p.c. 25 p.c. 40 p.c.
208c	Ethylene glycol, when imported by manufacturers of anti-freezing compounds, to be used exclusively in the manufacture of anti-freezing compounds in their own factories.....until September 1, 1936 Thereafter	Free Free	Free 15 p.c.	Free 15 p.c.	Free	15 p.c.	15 p.c.
208i	Animal glands and animal glandular organs, and extracts thereof, wet or dry, (whether alcoholic or not), when imported by manufacturers of pharma-						

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	ceutical or medicinal preparations for use exclusively in the manufacture of such preparations in their own factories.....	Free	Free	Free	Free 60 p.c.	Free 60 p.c.	Free 60 p.c.
219d	Sulphuric ether; chloroform, n.o.p.; preparations of vinyl ether for anaesthetic purposes.....	Free	25 p.c.	25 p.c.	Free 60 p.c.	25 p.c. 60 p.c.	25 p.c. 60 p.c.
219e	Chloropicrin, cyanides, or mixtures containing either chloropicrin or cyanide, for use in combating destructive insects and pests.....	Free	Free	Free	Free 15 p.c.	Free 15 p.c.	Free 15 p.c.
224	Scaling wax.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
259	Lard oil and neat's foot oil.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
259a	Sesame seed oil.....	Free	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
259b	Rapeseed oil, crude or refined.....	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
267	Crude petroleum not subjected to any other process than natural weathering and removal of foreign matter and water, when imported by oil refiners to be refined in their own factories:— (i) .8155 specific gravity (42.0 A.P.I.) or heavier at 60 degrees Fahrenheit..... (ii) Lighter than .8155 specific gravity (42.0 A.P.I.) at 60 degrees Fahrenheit.....per gallon	Free ½ ct.	Free ½ ct.	Free 1 ct.	Free Free (.7900 specific gravity or heavier) (Tariff Item 267a) 1 ct. (.7900 to .775 specific gravity) (Tariff Item 270) 15 p.c. (less than .775 specific gravity) (Tariff Item 711)	Free Free (Tariff Item 267a) 1½ cts. (Tariff Item 270) 25 p.c. (Tariff Item 711)	Free Free (Tariff Item 267a) 1½ cts. (Tariff Item 270) 25 p.c. (Tariff Item 711)

Crude petroleum, n.o.p.	per gallon	1 ct.	1 ct.	$\frac{1}{2}$ ct. (-8235 specific gravity or heavier) (Tariff Item 267)	$\frac{1}{2}$ ct. (-8235 specific gravity or heavier) (Tariff Item 267)
267a					
267b	Petroleum tops; blends of petroleum tops or petroleum products with crude petroleum; all the foregoing -7249 specific gravity (53-7° A.P.I.) or heavier, at 60 degrees Fahrenheit, when imported by oil refiners to be refined in their own factories, per gallon	Free	1 ct.	1 ct. (Lighter than -8235 but not lighter than -775 specific gravity) (Tariff Item 270)	$1\frac{1}{2}$ cts. (Lighter than -8235 but not lighter than -775 specific gravity) (Tariff Item 270)
268	Natural casinghead, compression or absorption gas— (i) lighter than -800 specific gravity (50-0° A.P.I.) at 60 degrees Fahrenheit, when imported by refiners of crude petroleum for blending with gasoline wholly produced in Canada	Free	1 ct.	Free	1 ct.
269	Products of petroleum, n.o.p.— (i) Lighter than -8236 specific gravity (40-3° A.P.I.) at 60 degrees Fahrenheit.....per gallon (ii) -8236 specific gravity (40-3° A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon	$\frac{1}{2}$ ct. $\frac{1}{2}$ ct.	1 ct. 1 ct.	Free (Tariff Item 272)	Free (Tariff Item 272)
269a	Petroleum oil known as engine distillate -8017 specific gravity (45-0° A.P.I.) or heavier at 60 degrees Fahrenheit.....per gallon	$\frac{1}{2}$ ct.	1 ct.	2 cts. (-8017 to -8235 specific gravity) (Tariff Item 271)	$2\frac{1}{2}$ cts. (-8235 specific gravity) (Tariff Item 271)
270	Oil when imported by miners or mining companies or concerns to be used in the concentrating of ores of metal in their own concentrating establishments, under regulations prescribed by the Minister.....	Free	Free	Free (Tariff Item 275)	Free (Tariff Item 275)

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
271	Lubricating oils composed wholly or in part of petroleum:— (a) valued at less than 25 cents per gallon.....per gallon (b) n.o.p.....	1½ cts. 12½ p.c.	2½ cts. 17½ p.c.	2½ cts. 20 p.c.	1½ cts. 12½ p.c.	2½ cts. 17½ p.c.	2½ cts. 20 p.c.
272	Refined petroleum jellies and oils, for toilet, medicinal, edible, or similar purposes.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c. (Tariff Item 274)	25 p.c.
272a	Petroleum greases and lubricating greases, n.o.p....	12½ p.c.	17½ p.c.	20 p.c.	12½ p.c.	17½ p.c. (Tariff Item 273)	20 p.c.
272b	Paraffin wax.....	15 p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c. (Tariff Item 224)	25 p.c.
273	Asphalt or asphaltum, solid or not.....	Free	10 p.c.	10 p.c.	Free	17½ p.c. (Asphalt, not solid) Tariff Item 384a	17½ p.c.
273a	Asphaltum oil for use only for paving purposes.....	Free	Free	Free	Free	10 p.c. (Asphalt, solid) Tariff Item 384b	10 p.c.
274	Petroleum coke.....	Free	Free	Free	Free	Free (Tariff Item 718)	Free
275	Liquefied petroleum gases for heating, cooking or illuminating purposes, when imported in containers.....	Free	Free	Free	Free	Free (Tariff Item 557a)	Free
284	Drain pipes, sewer pipes and earthenware fittings therefor, chimney linings or vents, chimney tops and inverted blocks glazed or unglazed, n.o.p., earthenware tiles, n.o.p.....	10 p.c.	15 p.c.	25 p.c.	15 p.c.	25 p.c.	25 p.c.
286	Earthenware and stoneware, viz.:—demi-johns, churns or crocks, n.o.p.....	25 p.c.	32½ p.c.	35 p.c.	25 p.c.	32½ p.c.	35 p.c.
			30 p.c.	35 p.c.	25 p.c.	30 p.c.	35 p.c.

288	Earthenware and stoneware, brown or coloured and Rockingham ware, n.o.p.; "C.C." or cream-coloured ware, decorated, printed or sponged, n.o.p.; and all earthenware, n.o.p.	25 p.c.	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
288a	Chemical stoneware composed of a non-absorbent vitrified body specially compounded to resist acids or other corrosive reagents.	Free	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
288b	Hand forms of porcelain, when imported by manufacturers for use exclusively in the manufacture of rubber gloves in their own factories.	Free	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
311a	Black boards, solid, of slate or of paper composition.	Free	10 p.c.	25 p.c.	Free	22½ p.c.	25 p.c.
312a	Asbestos in any form other than crude, and all manufactures thereof, when made from crude asbestos of foreign origin, n.o.p.	Free	22½ p.c.	25 p.c.	Free	22½ p.c.	25 p.c.
323	Silvered glass, bevelled or not and framed or not, n.o.p.	22½ p.c.	30 p.c.	35 p.c.	22½ p.c.	30 p.c.	35 p.c.
326a	Manufactures of glass, n.o.p.	15 p.c.	20 p.c.	22½ p.c.	15 p.c.	20 p.c.	22½ p.c.
326e	Articles of glass, not plate or sheet, designed to be cut or mounted; articles of glassware, when imported by manufacturers of silverware to be used in receptacles made of or electro-plated with precious metals, in their own factories.	Free	10 p.c.	22½ p.c.	15 p.c.	20 p.c.	22½ p.c.
326f	Hollow shapes of glass, moulded, when imported by manufacturers of electric light fixtures to be used in such fixtures manufactured in their own factories.	Free	15 p.c.	32½ p.c.	15 p.c.	30 p.c.	32½ p.c.
326g	High thermal shock resisting glassware.	Free	25 p.c.	32½ p.c.	15 p.c.	30 p.c.	32½ p.c.
326h	Pressed or diaphratic lenses, sections and globes.	Free	Free	30 p.c.	15 p.c.	30 p.c.	30 p.c.
346a	Zinc slugs or discs, when imported by manufacturers of electric storage batteries, for use exclusively in the manufacture of seamless cups or shells for such batteries, in their own factories.	Free	10 p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
362	Articles consisting wholly or in part of sterling or other silverware, n.o.p.; manufactures of gold or silverware, n.o.p.	30 p.c.	37½ p.c.	45 p.c.	30 p.c.	37½ p.c.	45 p.c.
362c	Nickel-plated ware, gilt or electro-plated ware, n.o.p.	17½ p.c.	33½ p.c.	45 p.c.	30 p.c.	37½ p.c.	45 p.c.

Tariff Item		British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
392b	Forgings of steel, rough machined and fitted or not, and handles of steel or of metal alloy in the rough, when imported by manufacturers of surgical and dental instruments for use in the manufacture of such instruments in their own factories.....	Free	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
398a	Pipes and tubes of iron or steel, seamless, cold drawn, plain ends, polished, valued at not less than five cents per pound.....	Free	20 p.c.	30 p.c.	15 p.c.	27½ p.c.	30 p.c.
404	(b) For the running gear of other vehicles, n.o.p....	22½ p.c.	30 p.c.	3 p.c.	22½ p.c.	30 p.c.	35 p.c.
409b	(i) Cultivators, harrows, seed-drills, horse-rakes, horse-hoes, sofflers, manure spreaders, garden seeders, weeders, and complete parts of all the foregoing...	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409c	Ploughs; farm, field, lawn or garden rollers; soil packers; complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409d	Mowing machines, harvesters, either self-binding or without binders, binding attachments, reapers, harvesters in combination with threshing machine separators including the motive power incorporated therein, and complete parts of all the foregoing....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409e	(i) Spraying and dusting machines and attachments therefor, including hand sprayers; apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; animal dehoning instruments; and complete parts of all the foregoing.... (ii) Fruit and vegetable grading, washing and wiping machines and combination bagging and weighing machines and complete parts thereof; machines for topping vegetables, and machines for bunching and/or tying cut flowers, vegetables and nursery stock, and complete parts thereof; egg-graders and complete parts thereof, not including aluminum parts.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
	(iii) Complete parts of aluminum for egg-graders....	Free	5 p.c.	10 p.c.	Free	10 p.c. 30 p.c. 27½ p.c.	10 p.c. 35 p.c. 35 p.c.
			15 p.c.	30 p.c.	15 p.c.	30 p.c.	30 p.c.

409f	Hay loaders, hay loaders, potato planters, potato diggers, fodder or feed cutters, ensilage cutters, grain crushers and grain or hay grinders for farm purposes only, post hole diggers, snaths, stumping machines and all other agricultural implements or agricultural machinery, n.o.p., and complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409g	Incubators for hatching eggs, brooders for rearing young fowl, and complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409h	Hay presses and complete parts thereof.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409i	Scythes, sickles or reaping hooks, hay or straw knives, edging knives, hoes, pronged forks, rakes, n.o.p....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409j	Fanning mills; peavineers; corn husking machines; threshing machine separators, including wind stackers, baggers and self-feeders thereof; complete parts of all the foregoing.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409k	Windmills and complete parts thereof, not including shafting.....	Free	7½ p.c.	25 p.c.	Free	15 p.c.	25 p.c.
409l	Traction ditching machines (not being ploughs) and complete parts thereof.....	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
409m	Internal combustion traction engines; traction attachments designed to be combined with automobiles in Canada for use as traction engines; complete parts of all the foregoing.....	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
409n	Portable engines with boilers, in combination, for farm purposes; horse powers, complete parts of all the foregoing.....	Free	15 p.c.	25 p.c.	Free	15 p.c.	25 p.c.
410d	Well-drilling machinery and apparatus, and complete parts thereof, of a class or kind not made in Canada, and seamless iron or steel tubing over eight inches in diameter, for use exclusively in drilling for water, natural gas and oil, and in prospecting for minerals, but not to include motive power, well packers and complete parts thereof, for oil and gas wells.....	Free	Free	Free	Free	Free	Free
410i	(ii) Combustible gas indicators, for detecting explosive gases or vapors; methane detectors; carbon monoxide detectors and continuous indicators and recorders; carbon monoxide alarms; pyroammic detectors for determining the presence and quantity of carbon monoxide in the	Free	Free	Free	Free	Free	Free

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
	blood; inhalators for use in reviving victims of carbon monoxide poisoning; pocket gas respirators, dust respirators, paint and lacquer spray respirators, fume and smoke masks, and hose mask outfits complete with face piece, harness, air line and air pump or blower, designed for the protection of firemen and industrial workers; special safety goggles, designed for eye protection of miners, welders, foundrymen and other industrial workers employed in hazardous work; complete parts of all the foregoing.....	Free	Free	15 p.c. 20 p.c. 15 p.c.	27½ p.c. 27½ p.c. 17½ p.c. (and other ratings)	35 p.c. 30 p.c. 20 p.c.
411b	Cylinder stove saws, wheel type stove jointers, crozing and champhering machinery, and complete parts thereof.....		20 p.c.	10 p.c.	15 p.c.	20 p.c.
412	Machinery, being presses for use in the printing of newspapers, of not less value by retail than fifteen hundred dollars each, of a class or kind not made in Canada, and complete parts thereof, not to include saws, knives and motive power; mechanical deliveries or conveyors for use with newspaper printing presses.....	15 p.c.				
412a	Machinery and apparatus, n.o.p., viz.—Gun and mould apparatus for making press rollers; machines and apparatus for making electrotypes and stereotypes; engraving machines and apparatus, including photo-engraving apparatus, and other plate-making apparatus, used in the manufacture of printing plates of all kinds; machines and apparatus for graining metal plates; machines and apparatus for sensitizing, grinding or polishing metal plates; machines and apparatus including cameras and camera equipment, lens, prisms, camera and printing lamps, screens, and vacuum frames for transferring by photographic processes, or direct, to plates or rolls for use in lithography, rotogravure and printing; shading apparatus; machines and apparatus for addressing and/or wrapping newspapers, magazines, periodicals, pamphlets	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.

	and catalogues; machines and apparatus for embossing or stamping or producing embossed or engraved effects, book binding, looping, stitching, sewing, and crimp, inseting, braiding, darning, chasing, setting, cutting, perforating, drilling, punching, slitting, re-winding, gluing, pasting, coloring, weaving, varnishing, carbon coating, padding, mounting, ruling, pressing, sheet piling, tying, bundling, tube-making, metal mounting, eye-letting, stay and or stripping, remaking and box covering; complete parts, not to include saws, knives and motive power; all the foregoing when for use exclusively by, and in their capacities as, printers, lithographers, book binders, manufacturers of stereotypes, electrotypes and printing plates or rolls, paper converters, or by manufacturers of articles made from paper or parchment	Free	Free	10 p.c.	Free 15 p.c.	5 pc. 27½ p.c.	10 p.c. 35 p.c.
422a	Complete road paving machines, self-propelling, end loading type, with a capacity of 21 cubic feet of wet concrete or more; concrete and asphalt road finishing machines, form graders, sub graders, combination cable-controlled excavating and transporting scraper units; back-filling machines and equipment, mounted on self-propelling wheels or crawling traction, semi- or full-revolving boom and scraper type; steam or air driven pile hammers or extractors, well points; truck turntables; all the foregoing of a class or kind not made in Canada, and complete parts thereof	Free	10 p.c.	12½ p.c.	Free 15 p.c.	10 p.c. 27½ p.c.	12½ p.c. 35 p.c.
424	Fire engines and other fire extinguishing machines and chassis for same; complete parts other than chassis parts	Free	30 p.c.	35 p.c.	10 p.c.	30 p.c.	35 p.c.
427	All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof	10 p.c.	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
427a	All machinery composed wholly or in part of iron or steel, n.o.p., of a class or kind not made in Canada; complete parts of the foregoing	Free	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
427e	Automatic machines for making and packaging cigarettes, not to include tobacco-preparing machines	Free	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
427f	Machines for the manufacture of veneers and ply-woods, viz.:—veneer clippers, veneer clipper knife jointers, veneer glue spreaders, veneer jointers, veneer rollers and veneer tapping machines	Free	10 p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
427g	Power-driven centrifugal oil purifiers or extractors, bowl or tube type, not to include motive power, when for use in the extracting and refining of fish oils.....	Free	10 p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
429	(a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground nor otherwise manufactured; and spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape.....	Free	7½ p.c.	10 p.c.	Free 15 p.c. Free	7½ p.c. 27½ p.c. 30 p.c.	10 p.c. 35 p.c. 30 p.c.
	(g) Razor blades; razors and complete parts thereof.	Free	30 p.c.	30 p.c.			
430	Nuts and bolts with or without threads, washers, rivets, of iron or steel, coated or not, n.o.p.; nut and bolt blanks, or iron or steel.....	50 cts. 10 p.c.	50 cts. 20 p.c.	75 cts. 25 p.c.	50 cts. 10 p.c.	50 cts. 20 p.c.	75 cts. 25 p.c.
430a	Hinges and butts, of iron or steel, coated or not, n.o.p.; hinge and butt blanks, of iron or steel.....	75 cts. 10 p.c.	75 cts. 27½ p.c.	75 cts. 30 p.c.	75 cts. 10 p.c.	75 cts. 27½ p.c.	75 cts. 30 p.c.
431b	Adzes; anvils; augers; bevels, n.o.p.; bits; braces; cantdogs; chisels; cleavers; crowbars; hand drills; files; hammers; hatchets; mallets, mat-tocks and eyes or polls thereof; nail sets; picks and eyes or polls thereof; planes; pliers; plumb bobs, n.o.p.; punches, n.o.p.; rasps; measuring rules and tapes of all kinds; saws, saw blades and hand saw frames; screw drivers; sledges; spirit levels; spokeshaves; squares, n.o.p.; thread-cutting taps, dies and stocks; track tools; vises, n.o.p.; metal wedges; wrenches; socket wrench handles and adapters and sockets therefor.....	10 p.c.	35 p.c.	35 p.c.	10 p.c. 15 p.c. 37½ p.c. 30 p.c. 15 p.c.	35 p.c. 25 p.c. 27½ p.c.	35 p.c. 30 p.c. 45 p.c. 35 p.c.
431c	Machinists' or metal workers' precision tools and measuring instruments, viz.:—Calipers, micro-meters, metal protractors and squares, bevels, verniers, gauges, gauge blocks, parallels, buttons,						

	mercury plumb bobs, dividers, trammels, scribes, center punches, pocket speed indicators, straight edges, key seat clamps and other clamps and vices used by toolmakers for precision work, precision tools and measuring instruments, n.o.p.	Free	10 p.c.	15 p.c.	10 p.c. 15 p.c. 30 p.c. 15 p.c.	35 p.c. 25 p.c. 37½ p.c. 27½ p.c.	35 p.c. 30 p.c. 45 p.c. 35 p.c.
431d	Engineers', surveyors' and draughtsmen's precision instruments and apparatus, viz.—alidades, altimeters, safety or barometers, aneroid barometers, engineering, military and surveying; angle prisms; levels, leveling staffs, leveling screws, alidades, clinometers; compasses; cross staff heads; curves, adjustable, irregular, railroad and ship; curvimeters; drafting instruments of all kinds, including fitted cases containing the same; dipping needles; drafting machines; theodolites, integrators, levels, tripod and hand or pocket types; levelling rods; liners, section levels, portable, for hydraulic engineering; parallel rulers, portable; protractors; parallel rulers, for the ruling attachments; poles, ranging; pedometer and pedometers; plane tables, military and topographic; scales, flat and triangular; slide rules, splines, straight edges, steel and wooden tachometers, tallying machines, pocket; tee squares, steel and wooden; telemeters; theodolites; transits, tripod and hand or pocket types; triangles of all types; tripods for use with any of the foregoing instruments	Free	10 p.c.	15 p.c.	15 p.c. 15 p.c. 15 p.c. 17½ p.c.	25 p.c. 25 p.c. 27½ p.c. 20 p.c.	30 p.c. 27½ p.c. 35 p.c. 25 p.c.
435	Locomotives and motor cars for railways, of a class or kind made in Canada, and complete parts thereof, for use exclusively in mining or metallurgical operations	Free	15 p.c.	20 p.c.	Free	15 p.c.	20 p.c.
438a	Automobiles and motor vehicles of all kinds, n.o.p.; chassis for the foregoing; chassis for electric trackless trolley buses Provided that machines or other articles mounted on the foregoing or attached thereto for purposes other than for loading or unloading the vehicle shall be valued separately and duty assessed under the tariff items regularly applicable thereto.	Free	17½ p.c.	27½ p.c.	Free Free Free Free	22½ p.c. 17½ p.c. 30 p.c. 30 p.c.	30 p.c. (438a) 20 p.c. (438b) 40 p.c. (438c) 40 p.c. (438f)
438b	Bearings, digital, rollers, bearings, graphite; bearings, steel backed babbitt; bushings, graphited or oil impregnated, ceramic insulator spark plug cores, not further manufactured than burned and glazed,						

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
	not printed or decorated and without fittings; commutator copper segments; commutator insulating end rings; discs of hot rolled steel, spun or forged, with or without center hole, for disc wheels; distributor rotors, cam assemblies and vacuum control assemblies; door bumper shoes; electric wiring terminals; sockets, fittings and connectors; gaskets of metal and asbestos, composite; ignition contact points; keys for shating; lenses for head, tail, dome, signal and cowl or parking lamps; lock washers; piston ring castings in the rough, with or without gates and fins removed; steel bolts capped with stainless steel; switches for lamps, and parts thereof; vulcanized fibre in sheets, rods, strips and tubing; all the foregoing being of a class or kind not made in Canada, when for use in the manufacture of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, or for use in the manufacture of parts thereof, or for the replacement or repair of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, . . .	Free	Free	30 p.c.	20 p.c. 20 p.c. 20 p.c. 15 p.c. 15 p.c. 5 p.c. 25 p.c. 25 p.c. Free 15 p.c. 15 p.c. 15 p.c. 50 cts. and 10 p.c. 17½ p.c.	27½ p.c. 27½ p.c. 27½ p.c. 27½ p.c. 22½ p.c. 10 p.c. 33½ p.c. 33½ p.c. 10 p.c. 27½ p.c. (428a) 25 p.c. 20 p.c. 25 p.c. 50 cts. 20 p.c. 22½ p.c.	30 p.c. (352) 30 p.c. (339) 30 p.c. (432d) 35 p.c. (446a) 25 p.c. (314) 15 p.c. (811) 37½ p.c. (445f) 37½ p.c. (445g) 10 p.c. (813) 27½ p.c. (428a) 30 p.c. (445k) 22½ p.c. (526a) 27½ p.c. (390a) 75 cts. 25 p.c. (430) 25 p.c. (509)
438c	Ameters; arm rest and wheel housing lining of indurated fibre, pressed to shape; annual ball bearings and parts thereof; axle housings, one piece welded, machined or not; carburetors and parts thereof; chassis frames, without forgings, castings or stamped brackets attached; cigar and cigarette						

lighthouses, including base and parts thereof; control ventilator gear box, cylinder lock barrels, with or without sleeves and keys thereof; dash, heat indicators; fuel pumps and parts thereof; gasoline gauges and parts thereof; hinges, finished or not, for bodies; horns, and parts thereof; instrument bezel assemblies and parts thereof; instrument bearing strips, locks, electric ignition, steering gear, transmission, or combinations of such locks, and parts thereof; mouldings of metal, with nails set in position, lead filled or not; oil filters and parts thereof; oil gauges and parts thereof; pipe lines, bent to shape and equipped with fittings or not, and tubing therefor, for fuel, air or liquid, for actuating hydraulic brakes, purifiers for air and parts thereof; purifiers for oil and parts thereof; radiator grills, assembled or not, but not polished or plated, and not to include finish or decorative moulding; radiator ornaments; upfitter; radiator shutter assemblies; actuating radiator water gauges; radiator shells, not plated, nor metal finished in any degree; shackles, bearing spring and parts thereof; speedometers, and parts thereof; spring covers of metal and closing strips or shapes thereof; stampings, body, cowl, hood, fender and instrument board of metal, in the rough, trimmed or not, but not metal finished in any degree, nor welded, riveted, or otherwise further manufactured; starter switch assembly and parts thereof; steering wheels, and rims thereof; sun visor blanks of Kypsum weather-board; thermostats and parts thereof; throttle and spark buttons assemblies; vacuum tanks; wind-shield wipers and parts thereof; all the foregoing being of a class or kind not made in Canada, when imported by manufacturers of the automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, for use as original equipment in the manufacture of such automobiles, motor vehicles or chassis.

Free

20 p.c.

30 p.c.

Free

25 p.c.

Free (438h)

35 p.c. (446a)

45 p.c. (362)

30 p.c. (445k)

25 p.c.

75 cts.

30 p.c. (430a)

35 p.c. (346)

40 p.c. (357)

30 p.c. (352)

30 p.c. (462)

35 p.c. (427)

Free

27½ p.c.

37½ p.c.

25 p.c.

75 cts.

27½ p.c.

22½ p.c.

35 p.c.

20 p.c.

27½ p.c.

25 p.c.

27½ p.c.

Free

15 p.c.

30 p.c.

15 p.c.

15 p.c.

75 cts.

and 10 p.c.

15 p.c.

25 p.c.

15 p.c.

15 p.c.

25 p.c.

Free

Free

Empire, the rates of duty under this item shall be

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
438d	(2) Provided, that if the above articles are imported by a manufacturer of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 whose total factory output during the year in which importation is sought exceeds ten thousand automobiles, motor vehicles, or chassis, and provided that not less than sixty per centum of the factory cost of production of such automobiles, motor vehicles or chassis, not to include duties and taxes, is incurred in the British Empire, the rates of duty under this item shall be..... Provided that from and after March 31st, 1938, the words "sixty-five" shall be substituted for the word "sixty" in the immediately preceding proviso; (3) Provided that the Governor in Council may make such regulations, if any, as are deemed necessary for carrying out the provisions of this item. Front and rear axles; brakes, clutches, internal combustion engines; steering gears; magnetos; rims for pneumatic tires larger than thirty inches by five inches; transmission assemblies; steel road wheels; and complete parts of the foregoing, all of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 for use only in the manufacture of motor trucks or motor truck chassis.....	Free	Free	25 p.c.			The present rates shown immediately above apply against all subsections of the proposed new item 438c.
438e	Parts, n.o.p., for automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424, not to include wireless receiving sets, electric storage batteries, parts of wood, tires and tubes or parts of which the component material of chief value is rubber:— (1) Brake linings, and clutch facings whether or not including metallic wires or threads:— (a) when made from crude asbestos of Empire origin..... (b) when made from crude asbestos of non-Empire origin.....	Free 15 p.c.	25 p.c. 25 p.c.	35 p.c. 35 p.c.	Free 17½ p.c.	22½ p.c. 22½ p.c.	25 p.c. (312a) 25 p.c. (312)

(2) Automobile and motor vehicle engines, stripped, n.o.p., and complete parts thereof, n.o.p.	Free	25 p.c.	35 p.c.	15 p.c. Free	25 p.c. 25 p.c. 25 p.c. 25 p.c.	27 p.c. 27 p.c. 35 p.c. (192) 35 p.c. (199)
	Free	30 p.c.	40 p.c.	15 p.c. 17½ p.c. 22½ p.c. 15 p.c. 20 p.c. 15 p.c. 30 p.c. 37½ p.c. 35 p.c. 25 p.c. 27½ p.c.	25 p.c. 25 p.c. 30 p.c. 25 p.c. (323) 25 p.c. (346) 30 p.c. (352) 30 p.c. (354) 45 p.c. (362) 27½ p.c. (390) 37½ p.c. (394) 30 p.c. (394b) 35 p.c. (404b) 35 p.c. (427) 30 p.c. (438e)	27 p.c. 27 p.c. 35 p.c. (192) 35 p.c. (199) 35 p.c. (323) 25 p.c. (346) 30 p.c. (352) 30 p.c. (354) 45 p.c. (362) 27½ p.c. (390) 37½ p.c. (394) 30 p.c. (394b) 35 p.c. (404b) 35 p.c. (427) 30 p.c. (438e)
(3) Parts, n.o.p., whether finished or not.....						
Hot rolled strip of iron or steel with rolled or mill edge, not being of greater value than 2½ cents per pound, of a class or kind not made in Canada, when imported by manufacturers of automobiles, motor vehicles or chassis enumerated in tariff items 438a and 424 or by manufacturers of parts of automobiles, motor vehicles or chassis enumerated in the tariff items 438a and 424 to be used in the manufacture of such automobiles, motor vehicles or chassis, or parts thereof, in their own factories..... per ton	Free	\$4 00	\$8 00	7½ p.c. \$4 00 per ton Free	15 p.c. \$8 00 \$4 00	15 p.c. (382a) \$8 00 (382b) \$4 00 (818)
	20 p.c.	30 p.c.	30 p.c.	20 p.c.	30 p.c.	30 p.c.
445a Electric head, side and tail lights, n.o.p.; electric torches or flashlights and complete parts thereof.	20 p.c.	30 p.c.	30 p.c.	20 p.c.	30 p.c.	30 p.c.
445f Electric dynamos or generators and transformers, and complete parts thereof, n.o.p.	25 p.c.	33½ p.c.	37½ p.c.	25 p.c.	33½ p.c.	37½ p.c.
445g Electric motors, and complete parts thereof, n.o.p.	25 p.c.	33½ p.c.	37½ p.c.	25 p.c.	33½ p.c.	37½ p.c.
445k Electric appliances, and complete parts thereof, n.o.p.	15 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
445r Flame proof electric switch gear, for use underground in coal mines, and complete parts thereof.....	Free	20 p.c.	30 p.c.	Free	20 p.c.	30 p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
446a	Manufactures, articles or wares of iron or steel or of which iron or steel or both are the component materials of chief value, n.o.p.	10 p.c.	27½ p.c.	35 p.c.	15 p.c.	27½ p.c.	35 p.c.
447a	Sand cast rolls and chilled cast iron rolls imported by proprietors of rolling mills for use exclusively in rolling iron or steel, or by manufacturers of paper for use exclusively in manufacturing paper in their own factories.	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
447b	Forged steel rolls, hardened and ground, imported by proprietors of rolling mills for use exclusively in rolling non-ferrous metals.	Free	Free	Free	Free 15 p.c.	Free 27½ p.c.	Free 35 p.c.
462	Philosophical, photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, n.o.p.; complete parts of all the foregoing.	15 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
462a	Photographic cameras and equipment for use by professional photographers and commercial photographers in their own business, as follows:— Cameras for professional purposes, for making negatives 4½ inches by 6½ inches and larger, and the following accessories for use with such cameras: lenses, shutters, exposure meters, range finders, film and plate holders, lens hoods, lens boards, ground glass carriages, reducing backs, reversible adapter backs, lantern slide attachments, film sheaths, combination paper and plate holders, kits, carrying cases, camera stands, camera tripods, camera tripod tops, vignettes, diffusion disks, diffusion disk holders, colour filters, colour filter holders, polarizing screens, polarizing screen holders and backgrounds. Printers, enlargers, heaters, dryers, mounting presses, print washers, automatic film processors, printing frames and tanks for developing, fixing and washing.	Free	Free	Free	25 p.c. 15 p.c. 15 p.c. 15 p.c. 20 p.c.	35 p.c. 27½ p.c. 27½ p.c. 25 p.c. 40 p.c.	35 p.c. (288). 35 p.c. (427) 35 p.c. (446a) 30 p.c. (462.) 40 p.c. (622)

463	Magic lanterns and slides therefor, n.o.p.	Free	20 p.c.	25 p.c.	Free	20 p.c.	5
473	Plates for printing in two or more colours, including electrotypes, nickel types and all engravings on steel or other metal, for use exclusively in printing, n.o.p.	Free	15 p.c.	20 p.c.	Free	15 p.c.	10 p.c.
473a	Printing plates of all kinds for periodical publications enjoying second class mailing privileges, and matrices, metal presses and copper shells therefor	Free	7½ p.c.	25 p.c.	10 p.c. Free	15 p.c. 15 p.c.	10 p.c. 10 p.c.
476a	Glassware and other scientific apparatus for laboratory work in public hospitals; chairs and tables for surgical operating purposes, and complete parts thereof; infant incubators and complete parts thereof; electrocardiographs and complete parts thereof, and sensitized film and paper for use therein; apparatus for sterilizing purposes, including bedpan washers and sterilizers but not including washing nor laundry machines; all for the use of any public hospital, under regulations prescribed by the Minister	Free	Free	Free	Free 15 p.c. 20 p.c. 20 p.c.	Free 25 p.c. 30 p.c. 30 p.c.	Free 30 p.c. 45 p.c. 30 p.c.
494b	Cork blocks, boards, planks, slabs, rods or tubes, produced from cork waste or from granulated or ground cork, when for use in Canadian manufactures	Free	Free	Free	Free Free	Free 17½ p.c.	Free 20 p.c.
505	Sawn boards, planks and deals planed or dressed on one or both sides, when the edges thereof are jointed or tongued and grooved, n.o.p.	17½ p.c.	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
505a	Hardwood flooring, tongued and/or grooved, or jointed, viz.:—beech, birch, maple and oak	17½ p.c.	22½ p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
522	Rovings, yarns and warps wholly of cotton, not more advanced than singles, n.o.p.	12½ p.c.	15 p.c. 3½ cts.	22½ p.c. 4 cts.	12½ p.c. 2 cts.	15 p.c. 3½ cts.	22½ p.c. 4 cts.
522c	Rovings, yarns and warps wholly of cotton, including threads, cords and twines generally used for sewing, stitching, packaging and other purposes, n.o.p.; cotton yarns, wholly or partially covered with metallic strip, generally known as tinsel thread	15 p.c.	22½ p.c. 3½ cts.	25 p.c. 4 cts.	15 p.c. 2 cts.	22½ p.c. 3½ cts.	25 p.c. 4 cts.
523	Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, n.o.p., and seamless cotton bags	15 p.c.	20 p.c. 3½ cts.	25 p.c. 4 cts.	17½ p.c. 2 cts.	20 p.c. 3½ cts.	25 p.c. 4 cts.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B.P. Tariff	Intermediate Tariff	General Tariff
523a	Woven fabrics, wholly of cotton, bleached or mercerized, not coloured, n.o.p. and, per pound	20 p.c.	22½ p.c. 3½ cts.	27½ p.c. 4 cts.	20 p.c. 2 cts.	22½ p.c. 3½ cts.	27½ p.c. 4 cts.
523b	Woven fabrics, wholly of cotton, printed, dyed or coloured, n.o.p. and, per pound	22½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	22½ p.c. 2 cts.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.
529	Embroideries, lace, nets, nettings, bobinet, n.o.p., fringes and tassels, wholly of cotton. and, per pound	20 p.c.	27½ p.c. 3½ cts.	30 p.c. 4 cts.	20 p.c. 2 cts.	27½ p.c. 3½ cts.	30 p.c. 4 cts.
529a	Lace and embroideries wholly of cotton, not coloured, imported by manufacturers for use exclusively in the manufacture of clothing in their own factories. .	7½ p.c.	12½ p.c.	20 p.c.	12½ p.c.	17½ p.c.	20 p.c.
532	Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.; fabrics wholly of cotton, coated or impregnated, n.o.p. and, per pound	25 p.c.	30 p.c. 1½ cts.	35 p.c. 4 cts.	25 p.c. 2 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.
558b	Rovings, yarns and warps wholly of artificial silk or similar synthetic fibres, produced by chemical processes, not more advanced than singles, not coloured, with not more than seven turns to the inch, under such regulations as the Minister may prescribe: (a) Produced from cellulose acetate. Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than per pound. (b) N.o.p. Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than per pound.	5 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
558d	Rovings, yarns and warps wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes,	20 p.c.	28 cts. 30 p.c.	28 cts. 35 p.c.	20 cts. 20 p.c.	28 cts. 30 p.c.	28 cts. 35 p.c.

not to contain silk; artificial silk yarns wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards; and such regulations as the Minister may prescribe—

Produced wholly from cellulose acetate—
Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than—

7½ p.c.

30 p.c.

35 p.c.

25 p.c.

30 p.c.

35 p.c.

per pound.

28 cts.

28 cts.

28 cts.

28 cts.

28 cts.

(b) N.o.p.

25 p.c.

30 p.c.

35 p.c.

25 p.c.

30 p.c.

35 p.c.

Provided that, in no case, shall the duty under the Intermediate or the General Tariff be less than—

28 cts.

28 cts.

28 cts.

28 cts.

28 cts.

Woven fabrics wholly or in part of artificial silk or similar synthetic fibres produced by chemical processes, not to contain wool, not including fabrics in chief part by weight of silk, n.o.p. and, per pound—

30 p.c.

40 p.c.
40 cts.

45 p.c.
40 cts.

27½ p.c.
30 cts.

40 p.c.
40 cts.

45 p.c.
40 cts.

564a Irish poplin, composed wholly of silk and wool, not exceeding twenty-five inches in width, imported in the web in lengths of not less than five yards each, under such regulations as the Minister may prescribe, by manufacturers of neckties, scarves or mufflers for use exclusively in the manufacture of such articles in their own factories.....

20 p.c.

.....

.....

27½ p.c.
and
17 cts.

35 p.c.
30 cts.

40 p.c.
per pound
45 cts.

..... wearing apparel and articles, made from woven fabrics and all textile manufactures, wholly or partially manufactured, n.o.p., of which the component of chief value is artificial silk or similar synthetic fibres produced by chemical processes. and, per ounce....

25 p.c.

35 p.c.
5 cts.

50 p.c.
7 cts.

30 p.c.

40 p.c.
7 cts.

50 p.c.
7 cts.

Hat brads, of a class or kind not made in Canada, whether woven, knitted or plaited, not exceeding six inches in width, imported for use exclusively in the manufacture of hat bodies or shapes, but not for use in the ornamentation or trimming of such bodies or shapes, under regulations prescribed by the Minister.....

Free.

Free

Free

Free

Free

Free

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
569e	—	Free	Free	Free	Free	Free
	Miners' safety helmets for use exclusively in mining operations, firemen's helmets and sand-blast helmets, of a class or kind not made in Canada.....			22½ p.c. and 75 cts. 15 p.c.	30 p.c. \$1.50 25 p.c.	35 p.c. per dozen, \$1.50 27½ p.c.
603	Fur skins wholly or partially dressed, n.o.p..... Provided, that the duty on hare or rabbit skins under the General Tariff shall not be less than per dozen	10 p.c.	15 p.c.	10 p.c.	15 p.c.	15 p.c.
607	Leather, as hereunder described, but not to include suedes, Cabrettas, Spanish capes or African capes, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing in their own factories, viz.:— (i) Made from sheepskins..... (ii) N.o.p.....		72 cts.		72 cts.	72 cts.
Part 2						
618a	Comb blanks of hard rubber, not further manufactured than pressed and vulcanized, when imported by manufacturers of hard rubber combs for use exclusively in the manufacture of such hard rubber combs in their own factories.....	5 p.c. 5 p.c.	20 p.c. 20 p.c.	5 p.c. 5 p.c.	7½ p.c. 7½ p.c.	20 p.c. 20 p.c.
657	Mouthpieces of hard rubber in the rough, aluminum pipe fittings, pipe bowls moulded from briarwood dust, and briarwood bowls not further processed than frayed, when imported by manufacturers of tobacco pipes for use exclusively in the manufacture of such pipes in their own factories.....	Free	10 p.c.	Free	7½ p.c.	10 p.c.
657a	Cinematograph or moving picture films, positive, one and one-eighth of an inch in width and over, n.o.p..... per linear foot	Free	25 p.c.	15 p.c. 15 p.c. 15 p.c. 17½ p.c.	30 p.c. 25 p.c. 25 p.c. 20 p.c.	30 p.c. 27½ p.c. 25 p.c. 25 p.c.
		1½ cts.	3 cts.	1½ cts.	3 cts.	3 cts.

663c	Soya beans, soya bean oil cake and soya bean oil meal, when imported by manufacturers of animal and poultry feeds or of fertilizers for use exclusively in the manufacture of animal or poultry feeds or fertilizers in their own factories.....	Free	Free	Free 15 p.c.	Free 25 p.c.	Free 25 p.c.
663d	Soya bean oil meal and soya bean flour, inedible, when imported by manufacturers of glues or adhesives for use exclusively in the manufacture of such glues or adhesives, in their own factories....	Free	Free	15 p.c.	25 p.c.	25 p.c.
663e	Sea-weeds or sea-plants, charred, whether powdered or not, for use exclusively in the feeding of animals..	Free	25 p.c.	15 p.c.	25 p.c.	25 p.c.
695	Paintings in oil or water colours and pastels, valued at less than twenty dollars each, n.o.p.....	15 p.c.	22½ p.c.	15 p.c.	22½ p.c.	25 p.c.
695b	Hand-made drawings, sketches or designs, but not including patterns, viz.:—drawings, sketches or designs of wearing apparel, including boots and shoes, wall or floor coverings and textile fabrics, when imported in single copies of each such drawing, sketch or design for use in the manufacture of wearing apparel, boots or shoes, textile fabrics, wall or floor coverings, or of patterns.....	Free	Free	Free	Free	Free
696a	Educational moving picture films of all widths, silent or sound, positive or negative, and sound disks or records designed for use with such films, when certified by the Minister as entitled to exemption from Customs duty under the Convention for Facilitating the International Circulation of Films of an Educational Character, subject to such regulations as the Minister may prescribe.....	Free	Free	20 p.c. Free 1½ cts.	30 p.c. 20 p.c. 3 cts.	35 p.c. 25 p.c. 3 cts.
698	All articles specially designed for the use of the blind, whether for educational, recreational, industrial, personal or other purposes, when for blind persons and imported by, or on the order or certificate of, the Canadian National Institute for the Blind, or other bona fide institution or association for the blind.....	Free	Free	Free	Free (Dutiable at varying rates)	Free
703	(a) Travellers' baggage, under regulations prescribed by the Minister..... (b) Goods valued at not more than one hundred dollars included in the baggage accompanying residents of Canada returning from abroad after an absence from Canada of not less than forty-	Free	Free	Free	Free	Free

Tariff Item	General Tariff	Present Rates			
		British Preferential Tariff	Intermediate Tariff	General Tariff	
—		Free	Free		
eight hours and acquired by them for personal or household use or as souvenirs or gifts, but not bought on commission or as an accommodation for other persons or for sale, under regulations prescribed by the Minister. Provided that a resident of Canada shall not be entitled to the exemption herein granted within a period of four months from the date of the last exemption allowed, nor shall the exemption be allowed on alcoholic beverages in excess of one quart, or on tobacco in excess of fifty cigars, two hundred cigarettes and two pounds of manufactured tobacco.		Free	Free	(No previous classification; dutiable according to material, etc.)	
802	Materials and parts as hereunder specified, when imported by manufacturers of umbrellas, parasols, sunshades, walking sticks or canes, under such regulations as the Minister may prescribe, for use in the manufacture of such articles in their own factories:— (a) Mounts, sticks, rods, ribs, runners, rings, caps, notches, tips, ferrules and assembled frames..... (b) Umbrella-covering fabrics of a kind not made in Canada, whether or not specially treated but not further manufactured than with hemmed selvages, when imported in lengths of not less than ten yards each, with or without natural selvages.....	Free	10 p.c.	20 p.c. 17½ p.c. 12½ p.c. 5 p.c. 20 p.c. 27½ p.c. and..... 10 cts. 27½ p.c. and..... 30 cts.	20 p.c. 15 p.c. 7½ p.c. 25 p.c. 45 p.c. per yard, 10 cts. 45 p.c. per pound, 40 cts.
805	Materials to be used as adhesives in cementing together glass sheets, when imported by manufacturers of safety or non-shatterable laminated glass, for use exclusively in the manufacture of such glass in their own factories.....	Free	Free	25 p.c.	25 p.c.

6. Resolved, that schedule B to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by striking thereout tariff items 1030 and 1055, the enumerations of goods and the rates of draw-

back of customs duties set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of customs duties in said schedule B:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1011	Rhinestones, settings for rhinestones, metal spots and beads.	When imported by manufacturers of dress trimmings and used exclusively in their own factories in the manufacture of dresses and dress trimmings...	99 p.c.
1025	Hot rolled hexagon bars of Bessemer steel not being of greater value than 4 cents per pound.	When used in the manufacture of cold drawn bars.....	99 p.c.
1030	(a) Materials, n.o.p.....	When used exclusively in the manufacture of articles enumerated in Tariff Item 236.....	50 p.c.
	(b) Woven fabrics, wholly of cotton, not bleached, mercerized nor coloured, weighing not more than seven and one-half pounds per one hundred square yards.	When imported under the British Preferential Tariff and used exclusively in the manufacture of articles enumerated in Tariff item 236.....	99 p.c.
1052	Machinery, new or used, of a class or kind not made in Canada.	When imported by manufacturers of automobiles and motor vehicles or of automobile and motor vehicle parts to be used in the production of such automobiles and motor vehicles or automobile and motor vehicle parts.....	99 p.c.
1060	Paper of all kinds.....	When used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges.....	50 p.c.

7. Resolved, that schedule C to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, be amended by adding thereto the following items:—

1218	Used or second-hand periodical publications: Provided, that this item does not affect in any manner periodical publications:— (a) Sent, gratis, to Canada for charitable purposes; (b) Sent to persons in Canada as casual donations by friends abroad; (c) Imported for personal or for institutional use, and not for resale; (d) Imported by or for paper mills for use as stock in the manufacture of paper.
1219	Used or second-hand mattresses or materials therefrom: Provided, that this item does not affect in any manner: (a) Mattresses imported under Tariff Items 704, 705, 706, 707, 708, or under tourists' or travellers' vehicle permits; (b) Materials from used or second-hand mattresses, when imported after having been cleaned and fumigated, under such regulations as the Minister may prescribe, accompanied by such certificates as he may designate.

8. Resolved, That any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the 2nd day of May, one thousand nine hundred and thirty-six, and to have applied to all goods

mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

Bambah
SAI ENI
A27
18
A25
1437
(CANADA)

BUDGET SPEECH

DELIVERED BY

1027
HON. CHAS. A. DUNNING

MINISTER OF FINANCE

MEMBER FOR QUEENS, PRINCE EDWARD ISLAND

IN THE

HOUSE OF COMMONS

FEBRUARY 25, 1937



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1937

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BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, FEBRUARY 25, 1937

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, among my New Year's resolutions was a secret undertaking that my budget speech this year should be brief. I must confess, however, that this resolution has suffered the fate of many of its companions. In preparing a budget, a bewildering array of complex questions demand attention, if one is to give a reasonably complete and accurate statement of the economic and financial position of Canada in these difficult years. To abbreviate further the statement which I now offer would mean presenting to this house something less than is expected in an annual review of this kind. But, Mr. Speaker, if I cannot bring you greater brevity than last year, perhaps I can bring you greater cheer.

I

BUSINESS REVIEW

A year ago I was able to show that the state of business and trade was generally encouraging and suggested that we might reasonably expect throughout the year a strengthening and broadening out of the forces of recovery then clearly in evidence. My expectations of a year ago have been amply realized. The last twelve months have witnessed a continued and increasing vigour in the recovery movement, and the gratifying evidence of expanding business activity and more widely distributed economic betterment stands clearly recorded. In many directions the gains have exceeded expectations. The strength of Canada's recuperative power, the success of our constructive efforts, both as individuals and as governments, and the improvement in world economic conditions gen-

erally are seen in the growing volume of newly created wealth finding broader domestic and foreign markets and in the renewed spirit of confidence and enterprise on the part of our people.

I shall have occasion later to refer to the less satisfactory aspects of current developments and to certain signals which may point to danger ahead. Viewing the situation broadly, however, in the light of the progress of the past year and the major underlying forces at work, I believe I can fairly say that since 1929 no New Year has dawned with brighter promise for Canada. I shall be greatly disappointed if, by this time next year, Canada has not moved substantially further along the road of economic recovery.

I shall now present, with as little resort to statistics as possible, a few of the more significant evidences of our economic progress during the past year. Consider, first, our most comprehensive measure of economic activity in Canada, the index of the physical volume of business. This index is made up from forty-five important factors, and measures the physical volume of output in nearly all our leading industries as well as freight traffic on our railways, construction activity, and domestic trade. At the low point of the depression in February, 1933, this index had fallen to 67 as compared with 100 in 1926. The average level of this same index for the final quarter of 1936 was 119.3, an improvement of over 78 per cent from the low point and of more than 10 per cent as compared with the last quarter of 1935. The preliminary index for January, 1937, the latest month for which the figure is available, stood at 117.3 as compared with 106.2 in January, 1936.

This substantial improvement in business as a whole is confirmed by other broad indicators of general economic activity such as electric power production and carloadings. During 1936, the output of electric power established a new record, the total being 8.9 per cent higher than that for 1935, which was the previous record year. During 1936 also

the railways carried more freight, total carloadings increasing by $5\frac{1}{2}$ per cent. The improvement in carloadings has been greatly accelerated since the beginning of the year. Total cars loaded in January, 1937, exceeded the figure for January, 1936, by about 20 per cent, and were greater than in any previous January since 1931. Railway freight traffic is still substantially below the volume of the years 1926-29, but the return of normal grain crops in the west and restoration of construction activity with normal building material shipments would eliminate much of this differential and produce a radical change in the earning position of the two railway systems.

MANUFACTURING

Manufacturing of all kinds showed a generally well-sustained growth during the past year. The gain over the preceding year was 10 per cent, and the output was greater than for any previous year since 1929. Output of automobiles was somewhat lower in 1936 than in 1935, but this was due to the production of some of the new 1936 models in the fall of 1935. In the case of pig iron and steel production, one of our major capital goods industries, the upward trend is now clearly defined, steel output rising by 18 per cent in 1936 to the highest point since 1929. In general, the capital goods industries which normally suffer so severely in depressions and thus contribute so greatly to the spread of unemployment, have in the past year shown a marked increase in activity, recording gains in output of over 8 per cent. This improvement, which may be regarded as one of the most significant features of the recovery in 1936, may reasonably be expected to be accelerated during the present year, as the latent demands arising from equipment replacements and plant extensions exert further impetus.

FORESTRY

Activity in the forest products industries throughout 1936 showed truly remarkable gains over 1935, the general index for this group having moved up more than 25 per cent from December, 1935, to December, 1936. In British Columbia the lumber cut increased by about 15 per cent. Exports of planks and boards to the United States increased by more than 55 per cent as compared with 1935, while sales to the United Kingdom were almost 40 per cent higher. Expanding output has brought a most heartening increase of employment in logging. The seasonally adjusted index for the final quarter of 1936 recorded an average improvement of more than 28 per cent over the same period

in 1935. Since the turn of the year, unfortunately, activity in the industry has been retarded because of weather conditions—too much snow in some sections, too little in others.

The production of newsprint in Canada soared to a new high point in 1936 with an output of more than 3,200,000 tons. This represents a gain of 16 per cent over 1935, and of 66 per cent over 1932, the low year of the depression in this industry. This output means that Canadian mills operated at an average of over 82 per cent of rated effective capacity for the year as a whole, and at 91 per cent of rated effective capacity in the last quarter. The increase in demand for Canadian newsprint, chiefly in the United States but also to an increasing extent in other world markets, and the probability of a moderate rise in prices augur well for the immediate future of this important industry which for so long has suffered from actual or threatened bankruptcy.

MINING

An ever-mounting total of wealth continues to flow from our mines. In 1936 the value of our output reached the imposing total of over \$360,000,000, an increase of more than 15 per cent over that for 1935, the previous peak year for mineral output in Canada. At current production levels our mines are turning out wealth at the rate of a million dollars a day. While gold continues to hold the spotlight with an output of \$130,000,000 in 1936, or double that of ten years ago, and with many new mines still coming into production, yet the other metals, such as nickel, copper, lead and zinc, are finding an increasingly important place in the growing volume of our mineral exports. Canada's base metal industry has undergone remarkable changes in the last ten years as the result of an expenditure of almost \$100,000,000 in plant extension and equipment and the coordination of mining, smelting, refining, fabricating and marketing facilities. In the production of nickel, lead, zinc, the platinum metals, asbestos and salt, new all-time records were established in 1936 and the output of coal was greater than in any previous year since 1929. As in the case of the lumber industry, the mining industry in its expansion is showing a steadily mounting pay-roll. The seasonally adjusted index of employment in mining was over 12 per cent higher in December, 1936, than in December, 1935, while the index of employment in metal ores moved up about 20 per cent during the past year. It is extremely gratifying to note this movement of our people into primary indus-

tries, where they find profitable occupation in the output of natural products with which Canada is so bountifully supplied.

AGRICULTURE

Agricultural production suffered in 1936 through unfavourable weather during the growing season. Improved prices, however, resulted in a money return for field crops greater than in any year since 1930, amounting to approximately \$600,000,000, an increase of about 17 per cent over 1935.

With regard to wheat, the 1936 yield was about 52.7 million bushels below that of 1935, and was the smallest crop since 1919. Drought conditions again played havoc in certain areas, destroying crops completely in some districts and reducing to meagre levels the yield in others. In spite of the smaller 1936 yield, however, the value of this crop was substantially above the value of the 1935 crop due to greatly enhanced prices, which are again reaching levels which promise more profitable and stable conditions for the western farmer.

During 1936 an increasing volume of live stock was marketed, but with prices slightly less favourable than those prevailing in the previous year. The Bureau of Statistics' index of live stock sales rose over 12 per cent above the previous year's average. For the dairy industry generally, prices were moderately higher during the past year. There was a striking increase in cheese exports, and the volume moving abroad in 1936 was more than double the amount exported in 1935 with prices higher than at any time since 1930.

Recent price movements have operated distinctly in the direction of reducing the farmer's handicap. As the house well knows, the farmer was particularly hard hit in the collapse of prices following 1929, and we find that by 1932 the average level of prices for farm products was down to 48.4 per cent of the average level in 1926. Since that time, however, prices have greatly improved, particularly in the past year, and by the end of 1936 this index had moved up to 82.4. While prices of things which the farmer sells have been moving upward, there has been relatively little change in the prices of things which he buys. In fact, taking 1926 prices as equal to 100, we find the retail price index in December, 1936, standing at 81.8, while, as noted above, prices of agricultural products had reached the 82.4 level, after a rapid rise in the last few months of the year. At the end of 1936, therefore, the farmer's relative position, as far as prices were concerned, was slightly better than in 1926.

Wide disparity between prices of primary and finished products is perhaps the most significant feature of what we call a depression, and it is greatly to be hoped that this approximate parity between agricultural and other prices can be maintained.

WHOLESALE PRICES

The general level of wholesale prices which had been remarkably stable in Canada since 1933 has finally begun to move sharply upwards. During 1934, 1935, and the first half of 1936, the Bureau's index fluctuated narrowly around 72 per cent of the 1926 level. In the last half of 1936, however, the wholesale price index rose by over 10 per cent to 79.7 at the close of the year, an upturn that has restored wholesale prices to the level prevailing at the end of 1930. This rise in prices is a world-wide condition and the forces which have brought it about continue to be effective. One may express the hope that such forces may not be allowed to get out of hand. While they may correct the economic disparities from which we have recently suffered, and while they may give every evidence of abounding prosperity for a time, they are likely, if the pace is too rapid, to create new disparities and plunge us once more into the throes of depression.

FINANCIAL CONDITIONS

An obvious indicator of the general state of our economic health is the volume of dividend distributions by corporations. It is gratifying to report, therefore, that reliable estimates of profits for the past year were the highest since 1930, and reveal an increase of more than 13 per cent over the 1935 total. An unofficial index of dividends distributed stood at 117 for December, 1936, against 100.1 for December, 1935, and 62.5 at the low point in August, 1933. Profits are the mainspring of economic activity in the system under which we operate. Increasing profits are therefore the best augury for increasing employment, the best indication of the approach of the day when private industry will be able to release governmental bodies from the enormous burden which they have had to bear in recent years.

In the financial field, conditions have remained generally favourable. The year 1936 witnessed a striking increase in the volume of capital issues publicly floated. Bond issues publicly offered in Canada for new capital and for refunding purposes, excluding treasury bill issues, are estimated to have reached a total of \$715,000,000 as compared with \$541,000,000 for the previous year, an increase of over 32 per cent. Of this 1936 total, \$242,000,000 was for new capital and

\$473,000,000 for refunding purposes. Financing for private corporations accounted for \$232,000,000 of the total in 1936, or more than five times the total of such financing during 1935. The increasing volume of such private corporate issues and the increasing proportion of such issues offered for new capital purposes are healthy signs.

This heavy volume of bond flotations is in part a reflection of prevailing low interest rates. The wages of money, as measured by the yield on high grade bonds, averaged lower in 1936 than at any time since before the war. These low rates have made it possible for the dominion government and for the eastern provinces to refund outstanding obligations and to raise new funds at record low cost. For short term money the dominion is paying on a yield basis of approximately three-quarters of 1 per cent per annum, while on long term issues the rate has been only slightly over 3 per cent. Except for an interruption in September and October, the trend of high grade bond prices was steadily upward during 1936. An unusual number of actual or pending flotations and fears engendered by the weak financial position of certain western provinces, coupled with unfavourable developments in foreign markets, have caused some hardening of the rates during the past month. The somewhat lower levels of bond prices resulting have attracted renewed investment buying and yields on high grade securities for the most part are still slightly above the levels prevailing a year ago. The continuance of interest rates on substantially the present basis will foster economic recovery by encouraging private enterprise to expand existing equipment and undertake new projects on a low capital cost basis.

PROVINCIAL FINANCE

It is unfortunately true, however, that the financial position of several of our provincial governments is such that they are unable to take advantage of prevailing low interest rates in order either to reduce their fixed charges by refunding outstanding debt or to obtain new funds for relief and other expenditures. Despite drastic efforts to reduce expenditures and increase taxes, and despite a long record of honourable dealing with their creditors, they have been unable either to balance their budgets or to have recourse to the investment market for the funds necessary to meet their commitments.

This is a problem to which the government has given the most serious and unremitting attention since the day it assumed office. I need not recount the efforts which were made last year to find a solution. The plan

then evolved which would have made low rates available to the provinces as a result of dominion assistance under appropriate safeguards, proved unacceptable in several quarters. The acute stage which the problem has reached in Manitoba and Saskatchewan during the recent past led the government to make the decision which was announced by the Right Hon. the Prime Minister (Mr. Mackenzie King) to the house last week. That decision followed investigations which demonstrated what had long been recognized as a fundamental weakness in the allocation of financial powers and responsibilities to the provincial governments by the Fathers of Confederation seventy years ago. The revenue-raising powers assigned to the provinces do not appear to be commensurate with the responsibilities which they were given or which they have assumed in an age of increasing provision for governmental social services. It is a basic principle that a government should be able to stand financially upon its own feet—that it should itself be responsible for raising the revenue necessary to meet its own needs. I look therefore with great confidence to the results of the investigation into this whole problem to be made by the Royal Commission which is to be appointed. If this investigation and report are as competent, as impartial and as constructive as the occasion demands, they may well serve to point the way to such action as to make the year 1937 as significant in Canadian history as the year 1867.

In this connection may I pay tribute to the assistance given by the Bank of Canada in conducting the preliminary investigation of the financial position of these two provinces at the request of their governments and of this government. The Province of Alberta has now requested a similar investigation. As the house knows, the Bank has power to act, upon request, as the fiscal agent and the adviser of any provincial government. We now have an illustration of the important contribution which the Bank may make to the financial welfare of the dominion merely by providing a source of competent and disinterested advice to our major governments.

MONEY AND BANKING

Our banking system currently finds itself with ample reserves for the accommodation of commercial borrowers. While the volume of commercial loans is abnormally low, there have recently been indications of growth, and a moderate increase is expected during the present year. Contrary to the prevailing belief in some quarters, the banks will heartily welcome the opportunity thus provided to invest their funds at somewhat higher rates

than have recently been available on gilt-edge securities. It is also encouraging to note in recent banking statistics that debits to individual bank accounts in the clearing house centres of Canada—in other words, the cheques drawn by the public on their bank accounts—showed an increase in December, 1936, of 16 per cent over December, 1935. We have to go back to 1930 to find an annual volume of debits exceeding the level reached last year. This indicates, Mr. Speaker, that the velocity of circulation of cheque-book money is speeding up with the rising tempo of business activity and the increase in public confidence.

This is the factor so frequently forgotten by advocates of monetary panaceas. The volume of money-work done is the product of the amount of money multiplied by its velocity of circulation. An arbitrary increase in the amount of money by the fiat of a government is likely to defeat its object by a proportionate or more than proportionate decrease in the velocity factor. If the increase in the volume of money continues beyond a certain but unpredictable point, public confidence is lost altogether and a flight from money occurs. In the early stages of a severe and prolonged depression credit expansion may be an essential weapon to combat the deflationary forces at work. It must, however, be recognized as a very dangerous weapon requiring the use of expert technique as well as great wisdom and caution. The control of the volume of money and credit with a view to mitigating the extremes of booms and depressions is one of the primary functions of a central bank. The easy money policy which has been followed in the recent past is, in my opinion, an illustration of appropriate action in a time of depression. There will come a time, however, and it may come more quickly than many of us expect, when precisely the opposite policy will have to be followed, if the best interests of the country are to be served.

Monetary policy has a role to play during depressions. That role is an important one; although I am bound to say that as a medicine for depressions monetary techniques are far more effective when applied before rather than after the event. During the present depression, more deliberate use has been made of monetary devices and remedies than in any previous depression. This is largely to be explained by the great advances made in monetary theory and central banking practice during the post-war years and, in so far as Canada is concerned, by the fact that we have only recently been building up the necessary mechanisms for control. But monetary policy should not be regarded as a panacea. It can, at best, only create conditions favourable to sound development. In a constructive program it should

merely take its place as part of a much larger whole. Fundamentally our need is an increase in our aggregate national income—an increase in material wealth, not a different yardstick by which to measure it. Real purchasing power consists in goods and services produced, not in the number of monetary tickets which are used to facilitate the exchange of these goods and services.

NATIONAL INCOME

An increase in our national wealth and income can best be secured by facilitating the production of the many things which Canada is best fitted to produce; and by exchanging these products on as large a scale as possible for products which Canada cannot advantageously produce. To these objectives the government has been energetically devoting itself by opening up and expanding foreign markets for our basic products, by stimulating employment in productive lines, and by endeavouring to eliminate uncertainty and fear which paralyze initiative and retard industrial enterprise. The success of these efforts is indicated in part at least—for I do not wish to claim for the government all the credit for the recovery which we have enjoyed—in the statistics which I have already given, indicating encouraging expansion in nearly all lines of productive activity. These statistics are confirmed by preliminary estimates of the national income for 1936. By national income I mean the income of all the people of Canada—I am not using it in the sense of governmental income. These estimates indicate a total of \$4,520,000,000 as compared with \$4,094,000,000 in 1935. This is an increase of over 10 per cent in the national income, that is, the aggregate of the individual incomes of all the people. It is an increase in real purchasing power, created not merely by writing up a credit to ourselves in our national bank account but by providing profitable opportunities for the production of goods and services. While there is still a substantial distance to go, this advance, like the others which I have recorded, is impressive and gratifying.

In surveying the general outlook, however, we must not close our eyes to the fact that business cycles in their course from depression to full recovery never completely conform to an established pattern. We cannot deduce from past experience that the upward movement must inevitably continue or that it will proceed evenly and satisfactorily in all directions. The point I am making is this, that while the general movement is at present strongly upward, yet we must not lightly assume that we have solved our problems, or that we have by any means reached the stage

where we can relax our vigilance or our economies. We must not lose sight of the fact that, in certain fields, improvement has lagged, and that to a large number of our people the recovery of business has not yet brought the expected relief. In other directions there is more than a suggestion of a mentality that led to the deplorable excesses in the late twenties. Greed and unreasonableness in industrial relations are dangers that can paralyze our best efforts. There are forces unleashed in the recovery period that must be grappled with no less vigorously than those facing us in times of depression. These realities must not be neglected. Furthermore, disturbing factors in international relations still perpetuate much uncertainty in the world outlook. To these less favourable factors I wish to devote a few moments.

CONSTRUCTION

Apart from those sections of our agricultural industry which have suffered from the ravages of drought, the most conspicuous laggard among our major industries has been private construction. While there was a very slight improvement in total private building, and a moderate increase in residential and industrial building, the Bureau's index for construction activity averaged slightly lower in 1936 than in 1935, and stood at the deplorably low level of 49.8. The value of contracts awarded amounted to only \$162,000,000 as compared with an average of \$428,000,000 in the prosperous years from 1925 to 1929. This is especially unfortunate in view of the fact that so large a proportion of our unemployment is to be found in the construction trades and the industries dependent upon them. It was for this reason that the Home Improvement Plan has been devised and it is confidently hoped that during the next twelve months it will lead to a substantial volume of repair and modernization work which will transfer skilled craftsmen from relief rolls to pay-rolls, and at the same time serve to protect and increase the value of an important capital asset, the homes of our people.

As already indicated, the betterment and extension of industrial plant and equipment should also make a larger contribution to employment and business activity during the present year. Improvement should also occur in the field of housing construction, long retarded by uncertainty as to continuance of employment and particularly by high real estate taxation. It is obvious, however, that these difficulties are in part at least the result of a vicious circle. Real estate taxes are high, for instance, because relief costs are high; relief costs are high because unemployment

is heavy; and unemployment is heavy, to an important extent, because the building industry is inactive. Conversely, the building industry is inactive because all these other things are true. We are now reaching the stage in the recovery movement when this vicious circle must be broken. In my opinion, therefore, it behooves every branch of the construction industry, including the lending institutions which finance the repair and erection of houses, to study the facilities now available through the government's housing programs and to use the utmost ingenuity in providing a sound product at a reasonable price and in selling that product to the ultimate consumer. Public works construction cannot be continued indefinitely on the scale of recent years without building up an intolerable burden for the future. If it must be kept up in the late stages of a recovery movement, what hope can there be that governments will be in a position to use public works requirements as a reserve against future depression?

If the construction industry makes the effort which I have indicated, and if it receives, as it should, the hearty cooperation of the general public, the results will go far to solve the next problem with which I wish to deal, that of unemployment and relief. The Bureau of Statistics publishes monthly an index of employment which is reasonably representative of all industries. It is based on returns submitted by about 10,000 firms employing approximately 1,000,000 persons. After adjustment for seasonal variations, this index stood at 111.1 for January of this year. Compared with January, 1935, this represented an improvement of about 5 per cent. In the field of manufacturing, employment moved up 6 per cent. In lumbering and mining, as mentioned previously, it showed substantial gains, while wholesale and retail trade employment in December was at the highest December figure on record. In the construction and maintenance industries, however, the index showed an actual decrease of employment which brought down the general average.

EMPLOYMENT AND RELIEF

The disheartening aspect of these figures, however, is the obvious failure of employment to keep pace with the striking gains in business activity previously reported. Partial explanation of this is to be found in the substitution of full-time for part-time work and in the taking up of the "slack" which previously existed as a result of redundant staffs maintained by many employers who were reluctant to dismiss employees not really needed. For the rest, the explanation rests

upon the progress of invention and the improvement in technical and managerial processes. To this extent it is a phenomenon which is usually met with in the early stages of recovery from depression. As it indicates an increased efficiency in the productive mechanism, its results are not to be deplored. Its ill effects are temporary; in the long run it increases employment by cheapening production and expanding consumer purchasing power. As recovery gathers momentum, increases in employment will tend to conform more closely to expansion in business activity.

Still more disheartening to most observers is the failure of the numbers on relief to decline proportionately with the revival of business. The registration of relief recipients maintained by the National Employment Commission, the results of which are now available on a preliminary basis for last month, indicates that as compared with January, 1936, heads of families on relief rolls in January, 1937, had decreased by 8 per cent and the total number of individuals on relief by 5 per cent. Excluding those on relief in the drought area, the respective declines were 11 per cent and 7½ per cent. These decreases are of sufficient importance to confirm our belief that with expanding activity, industry will be able to re-absorb at least that portion of our relief recipients who are employable. However, to those observers who look for an early end to the relief problem the decline during the past year will appear discouragingly small. In addition to the factors mentioned above, the explanation for the slow rate of reabsorption is to be found in the fact that the new jobs opening up are being taken in large part by persons who were unemployed but not on relief, and by the new recruits who annually leave our schools and colleges to join the ranks of industrial workers.

It is probably true, Mr. Speaker, that a hard core of unemployment and relief will always remain. Doubtless there will be a number of those in the higher age brackets, who have been on relief for several years, who may be permanently "unemployable." Even in the best of times, we have always had unemployment, but the unemployed have not been "in the statistics" nor a charge upon public funds to the same extent as to-day. The depression will leave us with a new problem which will demand new methods of treatment from the appropriate authorities.

I am convinced, however, that in the policies now being followed and in the economic forces now working with increasing momentum, the present and major problem will rapidly be reduced to manageable proportions. The

real solution must come, and is coming, through the expansion of private enterprise, based on conditions favourable to the more extensive development of our primary and other industries. The fostering of private construction along sound lines, as already indicated, will also make an important contribution. As real purchasing power thus created becomes more broadly diffused throughout our economy, we will find the problem of relief dwindling in its proportions. In the meanwhile, the situation also demands important supplementary activities such, for instance, as the National Employment Commission is sponsoring as part of its contribution to the solution of this national problem. I refer particularly to the farm placement scheme, the Home Improvement Plan, the co-ordination of the efforts of various governmental bodies and private organizations with regard to youth, the organization of community cooperation, and measures designed to bring about a more efficient and economical administration of direct relief.

SPECULATIVE ACTIVITY

It may seem ironical for me to sound a warning about a problem of prosperity whilst we are still harassed by the problems of depression. Evidence is accumulating, however, of the prevalence of a state of mind which justifies a warning signal. If we may judge by the activity in brokerage offices, the rapid rise in stock market prices, and the ratio of stock prices, particularly in some sections of the market, to nearby earnings and dividend prospects, we are forced to recognize a revival of that get-rich-quick spirit which proved so disastrous in the pre-depression years. As business activity increases and especially if the commodity price level shows a rapid rise, this speculative fever is likely to become more widespread and more hectic, creating false standards of value and an unbalanced development with their inevitable aftermath. It is not too early, therefore, to call attention to these potential dangers and to express the hope that adequate measures may be taken with sufficient promptness to keep unsound developments in check. The Bank of Canada has the power to control the total volume of credit in circulation, but if the amount of credit flowing into the special channel of speculation is to be regulated there will be needed the effective cooperation of the stock exchanges and the banking institutions which will be called upon increasingly to finance speculative activity. We are, I hope, too close to 1929 to forget the necessity of ordered progress and well-balanced development.

INTERNATIONAL SITUATION

Finally, a word as to the international situation. On the financial and economic side, the year has brought much of encouragement. Perhaps the most significant development in this connection was the devaluation of the gold currencies of continental Europe. After years of resistance, during which continuing deflation in an important area constituted an important barrier to world recovery, most of these "gold bloc" countries finally took the inevitable step and adjusted their monetary units in order to correct the overvaluation of their exchanges. In this operation they were assisted by an international understanding that the United States, Great Britain and France would use all available means for keeping their currencies approximately stable in terms of each other. This cooperative agreement, which Holland and Switzerland have since joined, marks a notable advance in international collaboration in the field of monetary management. Not only has the devaluation thus effected with international support resulted in a greater degree of stability and certainty in exchange rates but it has placed the economic structure of the gold bloc countries in a position of better equilibrium with other countries, an essential condition for sound world recovery. It has also removed one of the major reasons for the exchange controls, quota arrangements and other restrictions which have been strangling international trade. Already some tentative steps have been taken in certain European countries to relax tariff barriers and trade restrictions. International trade has felt some impetus from this stimulus as well as from the greater stability in exchange markets and particularly from the rise in world prices for primary commodities.

World trade as a whole, however, has not made the progress which one might have hoped for, and in some areas there are still evidences of financial or economic strain. Nevertheless, in most countries, as in Canada, the signs point to continued progress if only peace can be preserved and political friction reduced. Looking back on 1936, however, one cannot pretend that political pro-

gress has kept pace with economic improvement. War and the fear of war appear to loom larger in men's eyes than at any time in recent years. Rival ideologies clash in the press and the chancelleries of Europe; doubt appears to have been cast for the moment at least upon the value of cooperative undertakings and the sanctity of international commitments; and an increasing proportion of national income goes into expenditure for armaments. Regret it as we must, realism compels us to face the facts squarely and take these potential dangers into our reckoning when we look to the future. Perhaps the best hope for peace lies in the fact that the dangers are so clearly realized. Where all can see the danger it may not be too much to hope that sufficient wisdom will be found among the nations to avert catastrophe.

I propose on this occasion to defer the review of the growth in our foreign trade and also of our treaty negotiations with other countries until I have discussed the public accounts for the year.

II

GOVERNMENT ACCOUNTS, 1936-37

With reference to the government accounts, may I first point out that, because of the early date at which the budget is being brought down, the figures which I shall present for the current fiscal year ending March 31 next are estimates only. I trust that our estimates of revenue and expenditure will be very close to the actual results disclosed when the books for the year are closed, but it will be recognized that they are approximations only and, also, that it is especially difficult at this time to present our annual balance sheet.

Following the procedure of last year, I shall first, with the permission of the house, place on Hansard a number of tables giving a complete summary of revenues and expenditures under the various categories and of the total deficit or increase of net debt for the current year, together with comparative figures for the four preceding fiscal years. The tables follow:

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

	1932-33	1933-34	1934-35	1935-36	Estimated 1936-37
	\$	\$	\$	\$	\$
Tax Revenues—					
Customs import duties.....	70,073	66,305	76,562	74,004	81,500
Excise duties.....	37,834	35,494	43,190	44,410	45,500
War tax revenues—					
Banks.....	1,328	1,336	1,369	1,281	1,255
Insurance companies.....	826	742	750	761	763
Income tax.....	62,067	61,399	66,808	82,710	102,000
Sales tax.....	56,814	61,392	72,447	77,552	115,500
Manufacturers', importations, stamps, transportation taxes, etc.....	25,377	45,184	39,745	35,181	38,100
Tax on gold.....	—	—	3,573	1,413	—
Total revenue from taxes.....	254,319	271,852	304,444	317,312	384,618
Non-Tax Revenues—					
Canada Grain Act.....	1,445	1,236	1,205	1,213	1,402
Canada Gazette.....	74	56	47	49	49
Canals.....	831	878	838	890	1,782
Casual.....	3,205	3,622	4,337	4,636	5,432
Chinese revenue.....	9	6	6	6	6
Dominion lands.....	459	419	516	458	475
Electricity.....	298	440	485	542	615
Fines and forfeitures.....	212	178	90	295	392
Fisheries.....	5	39	43	42	54
Gas inspection.....	84	76	96	91	90
Insurance inspection.....	160	149	139	147	152
Interest on investments.....	11,221	11,148	10,963	10,614	11,218
Marine.....	178	208	218	222	223
Mariners' fund.....	180	188	181	187	204
Military college.....	20	20	20	20	20
Militia pensions revenue.....	166	165	174	178	183
Ordnance lands.....	17	18	16	16	17
Patent and copyright fees.....	539	429	426	455	455
Penitentiaries.....	121	98	74	68	50
Post Office.....	30,928	30,893	31,248	32,508	34,310
Premium, discount and exchange.....	146	—	752	36	—
Public Works.....	213	250	254	251	221
Radio licenses.....	1,404	1,291	1,487	1,574	1,000
R.C.M.P. officers' pensions.....	12	12	9	11	14
Weights and measures.....	394	400	407	401	406
	52,321	52,219	54,031	54,910	58,770
Total ordinary revenues.....	306,640	324,071	358,475	372,222	443,388
Special Receipts—					
Sundry receipts.....	4,490	409	3,397	320	8,125*
Other Credits—					
Refunds on capital account.....	500	90	80	27	565
Credits to non-active accounts.....	105	91	21	27	45
Total Receipts and Credits.....	311,735	324,661	361,973	372,596	452,123

* Includes \$8,000,000 from Canadian Wheat Board to be taken into the accounts as an offset, in part, to the disbursements in 1935-36 re losses on 1930 wheat pool and stabilization operations.

STATEMENT OF EXPENDITURES BY DEPARTMENTS FOR
THE LAST FIVE FISCAL YEARS

(000 omitted)

Ordinary expenditures	1932-33	1933-34	1934-35	1935-36	Estimated 1936-37
	\$	\$	\$	\$	\$
Agriculture.....	8,066	6,996	7,107	9,399	8,929
Auditor General's Office.....	380	376	377	429	423
Civil Service Commission.....	244	221	221	259	308
External Affairs, including Office of Prime Minister.....	863	974	1,427	1,290	1,381
Finance—					
Interest on Public Debt.....	134,999	139,725	138,533	134,549	137,405
Cost of Loan Flotations.....	1,639	2,550	2,890	3,577	3,900
Premium, Discount and Exchange (net)...	—	167	—	—	300
Subsidies to Provinces.....	13,677	13,728	13,769	13,769	13,769
Special Grants to Provinces.....	1,600	1,600	1,600	3,975	3,225
Other Grants and Contributions.....	499	396	467	736	643
Civil pensions and superannuation.....	1,098	1,032	943	854	797
Government contribution to Superannua- tion Fund.....	2,270	1,986	1,948	1,875	2,025
Old Age Pensions.....	11,513	12,314	14,942	16,764	22,500
General Expenditure.....	2,050	3,152	3,939	3,735	3,667
Fisheries.....	1,787	1,596	1,641	1,710	1,750
Governor General's Secretary's Office.....	136	136	133	138	144
Immigration and Colonization.....	1,689	1,374	1,269	1,322	1,333
Indian Affairs.....	4,499	4,380	4,362	4,869	4,921
Insurance.....	161	152	156	163	175
Interior.....	3,503	2,857	2,750	2,939	2,963
Justice.....	2,691	2,711	2,718	2,748	2,780
Penitentiaries.....	2,870	2,677	2,667	2,377	2,449
Labour.....	605	561	581	660	725
Technical Education.....	202	129	91	99	100
Government Annuities—Payments to maintain reserve.....	289	184	146	272	541
Legislation—					
House of Commons.....	2,210	986	1,796	1,486	1,749
Library of Parliament.....	65	69	71	76	77
Senate.....	747	286	491	491	599
General.....	81	62	95	55	75
Dominion Franchise Office.....	—	—	1,545	498	46
Chief Electoral Officer, including elections	56	32	146	1,089	80
Marine.....	5,802	5,439	5,742	5,857	5,723
Canadian Radio Broadcasting Commission	149	1,025	1,249	1,500	878
Mines and Geological Survey.....	1,049	909	965	1,040	1,180
Movement of Coal and Domestic Fuel Act..	1,220	2,772	2,124	2,103	2,304
National Defence—					
Militia Service.....	8,719	8,773	8,853	10,141	11,416
Naval Service.....	2,167	2,171	2,222	2,380	4,851
Air Service.....	1,731	1,685	2,258	3,777	6,229
Sundry Services.....	1,133	847	847	879	1,001
National Revenue (including Income Tax)...	10,846	10,360	10,166	10,963	11,272
Pensions and National Health—					
Treatment and after-care of returned soldiers.....	10,511	9,571	10,127	11,060	12,041
Pensions, War and Military.....	44,183	42,923	43,232	42,790	43,092
Health Division.....	924	802	809	993	880
Post Office.....	31,607	30,554	30,252	31,438	32,417
Privy Council.....	47	49	46	46	46
Public Archives.....	174	157	209	165	167
Public Printing and Stationery.....	231	172	368	169	175
Public Works.....	13,108	10,827	9,905	12,945	14,643
Railways and Canals.....	3,684	3,315	4,581	4,250	4,204
Maritime Freight Rates Act.....	1,922	1,989	2,529	2,348	2,420
Railway Grade Crossing Fund.....	318	310	275	128	104
Royal Canadian Mounted Police.....	5,820	5,528	5,970	6,165	5,910
Secretary of State.....	606	387	395	705	649
Soldier Settlement.....	819	810	746	762	858
Trade and Commerce.....	3,276	3,007	3,057	3,458	5,717
Canada Grain Act.....	2,026	1,759	1,679	1,848	1,827
Mail Subsidies and steamship subventions	2,082	2,221	2,274	2,426	2,077
Total ordinary expenditure.....	354,643	351,771	359,701	372,539	391,860

STATEMENT OF EXPENDITURES BY DEPARTMENTS FOR THE LAST FIVE
FISCAL YEARS—*Continued*

(000 omitted)

	1932-33	1933-34	1934-35	1935-36	Estimated 1936-37
CAPITAL EXPENDITURE	\$	\$	\$	\$	\$
Canals.....	3,156	1,986	338	458	52
Railways.....	1,659	754	526	287	217
Public Works.....	4,234	3,840	6,243	5,799	3,178
Total capital expenditures.....	9,049	6,580	7,107	6,544	3,447
SPECIAL EXPENDITURES					
Unemployment Relief Act, 1930.....	548	4	2	26	—
Unemployment Relief Act, 1931.....	17,048	564	52	26	—
Unemployment Relief Act, 1932.....	19,125	6,948	399	111	—
Unemployment Relief Act, 1933.....	—	28,382	2,420	494	—
Unemployment Relief Act, 1934.....	—	—	49,114	1,152	—
Unemployment Relief Act, 1935.....	—	—	—	48,027	—
Unemployment Relief and Assistance Act, 1936—					
Administration.....	—	—	—	—	225
Grants-in-aid to Provinces.....	—	—	—	—	28,930
Dominion share of joint Dominion-Pro- vincial projects—					
Projects undertaken prior to March 31, 1936.....	—	—	—	—	3,700
New Projects.....	—	—	—	—	9,117
Transportation facilities into mining areas.....	—	—	—	—	1,342
Railway maintenance.....	—	—	—	—	2,750
	36,721	35,898	51,987	49,836	46,064
Special Drought Area Relief—					
Direct Relief.....	—	—	—	—	3,490
Feed and fodder and freight thereon.....	—	—	—	—	4,160
Freight charges on movement of cattle...	—	—	—	—	91
					9,741
Dominion Projects (Special supplementary estimates)—					
Projects undertaken prior to March 31, 1936	—	—	—	—	17,360
New projects.....	—	—	—	—	7,014
M.....	—	—	—	—	250
Public Works Construction Acts.....	—	—	8,673	29,581	—
Wheat Bonus.....	1,811	—	—	—	—
1930 Wheat Crop Equalization Payments	—	—	—	6,000	—
Loss on 1930 Wheat Pool and stabilization operations—					
Payment to Canadian Wheat Board of net liability assumed as at Dec. 2, 1935.	—	—	—	15,856	—
Loss on 1930 oats pool under guarantee of bank advances to Canadian Co-opera- tive Wheat Producers Limited.....	—	—	—	174	—
Total special expenditures.....	38,532	35,898	60,660	102,047	80,429

STATEMENTS OF EXPENDITURES BY DEPARTMENTS FOR THE LAST FIVE
FISCAL YEARS—*Concluded*

(000 omitted)

	1932-33	1933-34	1934-35	1935-36	Estimated 1936-37
	\$	\$	\$	\$	\$
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Fund—					
Canadian National Railway System, ex-					
eastern lines.....	53,423	52,264	42,590	41,796	37,449
Eastern lines.....	8,717	6,692	5,818	5,625	5,854
Canadian National Steamships.....	—	—	—	270	—
National Harbours Board.....	—	—	—	1,126	250
Total charged to consolidated fund.....	62,140	58,956	48,408	48,817	43,553
Loans and advances non-active—					
Canadian National Steamships.....	*1,382	*14	487	*333	*1,500
Harbour Commissions.....	4,897	2,110	1,242	2,456	2,419
Accounts carried as active assets transferred to non-active assets.....	**62,938	—	—	—	—
Total non-active advances.....	66,453	2,096	1,729	2,123	919
Total government owned enterprises.....	128,593	61,052	50,137	50,940	44,472
OTHER CHARGES					
Write-down of assets chargeable to Consolidated Fund—					
Reduction in soldier and general land settlement loans.....	—	1,766	469	488	500
Yearly established losses in seed grain and relief accounts—Department of Interior.....	106	91	21	27	45
Non-Active Accounts—					
Canadian Pacific Railway advances (Relief Acts).....	1,447	1,000	—	—	—
Active assets transferred to non-active...	—	—	11	—	†18,765
Total other charges.....	1,553	2,857	501	515	19,310
Grand total expenditures.....	532,370	458,158	478,106	532,585	539,518

* Credit.

** Canadian National Railways—Loans for 1931-32 \$41,121,000; Sundry harbour commissions—Advances prior to 1932-33 \$21,817,000.

† Dominion contribution to Debt Adjustment Program being effected in Provinces of Manitoba and Saskatchewan respecting Drought Area Relief that was financed by the Dominion to Jan. 1, 1935—Manitoba \$805,000, Saskatchewan \$17,960,000.

SUMMARY OF REVENUES AND EXPENDITURES

(000 omitted)

	1932-33	1933-34	1934-35	1935-36	Estimated 1936-37
	\$	\$	\$	\$	\$
Ordinary expenditures.....	354,643	351,771	359,701	372,539	391,860
Ordinary revenues.....	306,640	324,071	358,475	372,222	443,388
Deficit (-) or surplus (+) on ordinary account.....	-48,003	- 27,700	- 1,226	- 317	+ 51,528
Special expenditures.....	38,532	35,898	60,660	102,047	80,429
Less special receipts.....	4,490	409	3,397	320	8,125
Balance.....	34,042	35,489	57,263	101,727	72,304
Add—Capital expenditures.....	9,049	6,580	7,107	6,544	3,447
“ Government Owned Enterprises.....	128,593	61,052	50,137	50,940	44,472
“ Other charges.....	1,553	2,857	501	515	19,310
	173,237	105,978	115,008	159,726	139,533
Less other credits.....	605	181	101	54	610
	172,632	105,797	114,907	159,672	138,923
Add deficit or deduct surplus as above.....	48,003	27,700	1,226	317	51,528
Total deficit or increase of direct net debt	220,635	133,497	116,133	159,989	87,395

REVENUES 1936-37

For the year as a whole, we estimate that total revenue from taxation and all other sources will aggregate \$452,123,000. This total is almost \$80,000,000 in excess of that for the preceding fiscal year and is exceeded by the revenues of only one other year in the history of the dominion, the fiscal year ended March 31, 1929, when total collections slightly exceeded \$460,000,000. Looking at it from another point of view, it represents an increase of 45 per cent as compared with 1932-33, the low year of the depression. While taxpayers may greet this news with mixed feelings, I think it will be generally accepted as a striking tribute to the recuperative powers of the Canadian economy and a convincing confirmation of the reality of the economic recovery which I have outlined in the earlier part of this address. A portion of this increase of course is due to the increased taxes imposed last year, but essentially, expanding government revenues reflect and confirm the increase in national income.

The revenue from all tax sources will amount to \$384,618,000, an increase of \$67,306,000 over last year. To this increase, all our major forms of taxation contributed.

The sales tax is now the largest single source of government revenues. For the year we estimate a total yield from this tax of \$115,500,000 an increase of \$37,948,000 over the

preceding year. As the rate of this tax was raised last year from 6 to 8 per cent, it may be estimated, assuming no retarding effect on business from the higher rate, that \$28,875,000 of the increase was due to the increase in rate and the remainder to the improvement in business activity and to higher price levels.

The second largest producer of revenue was the income tax, which we estimate will yield during the current year \$102,000,000. This is also a gratifying increase over the previous year—\$19,290,000—and is attributable largely to the improvement in corporate and individual incomes, although the increase of 1½ per cent in the corporate income tax rate is estimated to be responsible for approximately \$5,840,000 of the increase. Of the total receipts, \$58,400,000 will come from corporations, \$8,700,000 from the five per cent tax on interest and dividends, and \$34,900,000 from the tax on individual incomes.

Excise duties, imposed chiefly on liquors and tobacco, are expected to yield \$45,500,000, an increase of slightly over \$1,000,000 as compared with last year.

Receipts from customs duties show an increase of almost \$7,500,000. Last year you will recall that \$74,004,000 was derived from this source as compared with \$76,562,000 during the preceding year. We estimate a total yield this year of \$81,500,000. While this is still less than half the customs revenue received during 1929 or even 1920, the increase

this year amounted to 10 per cent, and there is evidence of an increasing rate of gain during recent months.

Special excise taxes will show an increase from \$35,181,000 to \$38,100,000. This increase is accounted for chiefly by increased receipts from the 3 per cent special excise tax on importations and the tax on transfer of securities. There was a slight decrease in receipts from the tax on bank notes due to the statutory decrease in chartered bank note circulation.

Non-tax revenues, that is, the revenues derived from investments and various departmental services, are expected to aggregate \$58,770,000, an increase of \$3,860,000 over the previous year. The largest increase in this group will be attributable to Post Office revenues which are estimated at \$34,310,000 as compared with \$32,508,000 for the year 1935-36. The nominal surplus on Post Office operations is estimated at \$1,893,000. In calculating this surplus we have included in expenditures of the department the cost of civil government. It has frequently been pointed out, however, that the Post Office accounts do not provide, on the expenditure side, for the rental value and other costs of premises occupied and equipment used, nor on the revenue side do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

During the current fiscal year, we estimate that special receipts and other credits will total \$8,735,000, as compared with \$374,000 the previous year. This is mainly accounted for by the fact that we expect to take into our revenues \$8,000,000 received from the Canadian Wheat Board which will represent an offset in part to the disbursement of \$15,856,000 which we provided for last year to recoup the Board for the net liability assumed when it acquired the wheat and wheat contracts held by Canadian Cooperative Wheat Producers Limited in connection with the 1930 wheat pool and stabilization account. It is a matter of congratulation that a liability to our national finances of menacing proportions has been removed. At the close of the last fiscal year the position was such that the government felt it essential not only to pay to the board the \$15,856,000 referred to above, but the further substantial liability shown on the board's books on the basis of closing market prices on March 31, 1936, made it appear almost inevitable that an additional heavy loss would have to be provided for again this year. We were criticized for the provision then made. We were told that we should await the complete disposal of the board's holdings before providing for any losses. It seemed to me, then, and it seems to me now, that it was only the part of ordinary business

prudence to make at least a partial provision for what appeared likely to be a heavy loss. No one is happier than I am to-day to be able to welcome back to the treasury, as a result of good luck and sound policy, a portion of the funds then disbursed.

EXPENDITURES—1936-37

In dealing with expenditures, I wish to emphasize again the importance of concentrating on the aggregate of our expenditures of all kinds and on our over-all deficit rather than on ordinary expenditures and the surplus or deficit on ordinary account. However, for the purpose of analyzing details and making comparisons with previous years, I shall first present the expenditures under the five main categories in which they are now classified in the public accounts.

ORDINARY EXPENDITURES

The ordinary expenditures for the year are estimated at a total of \$391,860,000. This is \$19,321,000 in excess of the expenditures for 1935-36. As ordinary revenues are estimated at \$443,388,000, the so-called surplus on ordinary account would be \$51,528,000, as compared with a deficit on ordinary account last year of \$317,000. As I have indicated, however, this surplus on ordinary account has only slight significance under present conditions.

The largest increase in ordinary expenditures is in the cost of old age pensions, which are estimated for the current fiscal year at \$22,500,000, as compared with \$16,764,000 last year. Most of this increase of \$5,736,000 is explained by the participation this year for the first time of the provinces of Quebec and New Brunswick in the old age pensions arrangement. Other important increases were \$6,320,000 in the cost of national defence (including civil aviation); \$2,856,000 in interest on the public debt; \$1,698,000 in ordinary expenditures on public works; \$1,889,000 in the expenditures of the Department of Trade and Commerce; and finally, an increase of \$979,000 in the ordinary costs of Post Office operations.

CAPITAL EXPENDITURES

Total expenditures charged to capital account will amount to only \$3,447,000, a decrease of \$3,097,000 as compared with the year 1935-36. The chief item is \$3,178,000 for public works construction.

SPECIAL EXPENDITURES

We come now to that important group of items which are classified as special expenditures, and which this year relate solely to disbursements made for unemployment relief purposes. During the year 1936-37 special

expenditures are expected to aggregate \$80,429,000. The decrease of \$21,618,000 as compared with the total for 1935-36 is wholly explained by the absence this year of any disbursements for grain marketing losses. Under the Unemployment Relief and Assistance Act, 1936, total expenditures are expected to reach \$46,064,000. Of this total \$28,930,000 will be accounted for by grants-in-aid to the provinces for direct relief; \$14,159,000 by the dominion's share of joint dominion-provincial projects; and \$2,750,000 by the cost of the special railway maintenance program which it will be recalled was designed to provide work for single homeless unemployed men formerly taken care of by the relief camps.

The serious drought which developed in the three Prairie provinces last summer necessitated relief on so extensive a scale that the government felt obligated to regard the condition as a national emergency and as one therefore which called for special dominion assistance. To meet this unforeseen and emergent problem, funds were appropriated by governor general's warrants to a total amount of \$12,240,000 in order chiefly to pay for the cost involved in purchasing and distributing feed and fodder for live stock in the drought-stricken area and the cost of providing direct relief to families living in the area. Agreements were entered into with the three provinces under which the dominion

agreed to bear 100 per cent of the cost of direct relief in the drought area as defined, 100 per cent of the cost of feed and fodder for live stock, and 50 per cent of the cost of moving live stock into other feeding areas and of the losses involved in shipping low grade cattle out of the drought area to packing companies for conversion into tannage and boneless beef. These agreements contained special provisions for the protection of the government through the assistance of representatives of the Comptroller of the Treasury's office located in the three provinces. It is now estimated that the expenditures under this program will not exceed \$9,741,000 by the close of this fiscal year. Of this amount \$5,490,000 will represent the cost of direct relief and \$4,251,000 the dominion's share of the cost of feed, fodder and freight charges.

The cost of dominion projects carried on under authority of the special supplementary estimates for 1936-37 aggregated \$24,624,000. Of this total \$17,360,000 represented the cost of projects undertaken prior to March 31, 1936, and \$7,264,000 the cost of new projects.

The following table, which I will place on Hansard, compares the expenditures made or to be made for direct relief and various unemployment relief projects during the present fiscal year, with similar expenditures incurred in the preceding fiscal year.

Unemployment Relief Expenditure

	1935-1936	Estimated 1936-37
Grants-in-aid to provinces.. . . .	\$26,274,875	\$28,930,000
Dominion's share of joint dominion-provincial projects.. . . .	10,700,526	14,159,000
Railway maintenance works.. . . .	.....	2,750,000
Dominion projects:		
Department of Public Works.. . . .	17,895,218	10,314,000
Department of National Defence.. . . .	10,201,468	4,322,000
National Harbours Board and Department of Marine.. . . .	5,437,008	5,375,000
Department of Interior.. . . .	2,294,291	1,879,000
Department of Agriculture.. . . .	238,500	1,049,000
Department of Railways and Canals.. . . .	942,689	539,000
Miscellaneous and sundry departments.. . . .	1,431,681	1,371,000
Special drought area relief.. . . .	4,000,000	9,741,000
	\$79,416,256	\$80,429,000

GOVERNMENT OWNED ENTERPRISES

The next main category of expenditures is that of government owned enterprises in which is grouped the losses of and non-active advances to government owned enterprises which are operated as separate corporations.

Canadian National Railway Company

Operating revenues of the Canadian National Railway Company increased about \$13,400,000 in the calendar year 1936 over the corresponding figure for 1935, or 7.7 per cent.

However, operating expenses increased by the same ratio and the net revenue after taxes, rentals, etc., available for interest on debt was \$6,600,000 as against \$6,800,000 in the previous year. The increased operating expenses were due in part to the costs absorbed by the Canadian National Railway Company under the various government unemployment relief programs and increased wage rates.

After applying the \$6,600,000 available from earnings to interest charges of \$49,900,000, there resulted a net income cash deficit of \$43,300,000,

which amount has to be paid by the dominion and charged to dominion expenditure in the current fiscal year. This cash deficit compares with \$47,400,000 for 1935, the improvement being entirely due to reduction in interest charges resulting from refunding of securities at lower rates of interest.

It should be borne in mind that there are certain non-cash charges in the railway accounts which should be taken into account in reconciling the above-mentioned figure of cash deficit with the net loss for the year as shown by the annual report of the railway company.

In addition to payment of the railway's deficit, the government will advance \$9,916,000 by way of loan to the Canadian National Railways during the present fiscal year. This will be made up as follows: \$7,053,000 on account of miscellaneous debt retirements under the 1936 budget, and \$2,863,000 representing cost of equipment purchased under the special supplementary estimates. Repayment of \$395,000 was received on account of loans made in the fiscal year 1936 for repairs to equipment under the Supplementary Public Works Construction Act.

During the fiscal year, the government made temporary loans aggregating \$33,032,970 to the company to meet called or matured debt, the major item of which was \$24,220,000 Grand Trunk 6 per cent dominion guaranteed bonds, which were redeemed on September 1, 1936. These temporary loans together with loans aggregating \$2,043,725 carried over from last fiscal year, were repaid from a public issue of dominion guaranteed bonds dated February 1, 1937, in the amount of \$35,500,000. This issue was sold in two maturities: \$15,500,000 2½ per cent seven-year bonds yielding 2.39 per cent and \$20,000,000 3 per cent fifteen-year bonds yielding 3.04 per cent.

Canadian National Steamships

During the fiscal year, the Canadian National Steamships returned \$1,500,000 to the government. This was due mainly to the winding-up of the Canadian Government Merchant Marine. The amount of working capital and insurance fund that had been advanced as a non-active loan in previous years has been returned, in addition to the surplus of \$343,000 accruing from operations during 1936 prior to the sale of the fleet. The operations of the West Indies service in the calendar year 1936 showed an operating surplus, after payment of interest to the public, of \$70,000. This is the first surplus recorded since the inauguration of the service and compares with a deficit of \$270,000 in 1935.

Harbour Commissions

Assistance to harbour commissions appearing as expenditure in our accounts will total \$2,669,000. This amount is composed of \$250,000, representing the operating deficits of the harbour commissions at Halifax, Saint John, Quebec and Chicoutimi. The balance represents non-active advances of \$443,000 for deficit on the Jacques Cartier Bridge, Montreal, and \$1,996,000 for refunding of obligations of the harbour commissions at Three Rivers, Chicoutimi and Saint John, less refunds of \$20,000 representing advances in previous years for capital expenditures at Halifax and Saint John.

The operations of the harbours are conducted on a calendar year basis and 1936 represents the first full year under which the management of the various ports previously administered by harbour commissions was centralized. While the National Harbours Board was not appointed until October last, centralized control has been effective since November, 1935. Net operating income of these harbours before interest on investment and depreciation showed an improvement in the calendar year 1936 of \$1,128,000 over the corresponding figures for 1935.

To sum up, the total amount treated as expenditures in our accounts in connection with the operations of the railways and other government owned enterprises operated as separate corporations was \$44,472,000 as compared with \$50,940,000 for the previous year. This is exclusive of such amounts as are carried in our accounts as active assets, to which reference will be made later.

WRITE DOWN OF ASSETS

During the fiscal year it is estimated that assets will be written down in the amount of \$19,310,000. Apart from the normal write-offs in connection with soldier and general land settlement loans and seed grain and relief accounts, which altogether total \$545,000, this write-off item of \$19,310,000 is explained by the contribution which we propose to recommend to parliament should be made by the dominion in connection with a cooperative program for the adjustment of indebtedness of farmers in the drought areas of Saskatchewan and Manitoba.

The proposal involves the writing off of provincial treasury bills held by the dominion as security for repayment of loans made to these two provinces to enable them to finance relief and seed grain expenditures in the drought areas during the period from May 1, 1931, to January 1, 1935, plus such accrued interest thereon as has been capitalized. The

amount involved will not exceed \$805,000 in the case of Manitoba, and \$17,960,000 in the case of Saskatchewan.

In the supplementary estimates for the current year authority will be sought to transfer these treasury bills in the government's books from "active assets" to "non-active assets" as at March 31, 1937. Final write-off and cancellation by the dominion government will be made on receipt of proof that the two provincial governments, the municipalities concerned and the mortgage lending institutions which have made loans to farmers in the drought areas have also made the required adjustments in debt or tax claims, as the case may be, in order to provide relief for farmers who have suffered from prolonged drought conditions.

SUMMARY OF EXPENDITURES

If we add together the capital and special expenditures, as well as losses of and non-active advances to government-owned enterprises, and the other charges representing write down of assets to which I have just referred, we find that the grand total of expenditures for which the government is responsible during the current fiscal year will aggregate \$539,518,000. This is an increase of \$6,933,000 over the grand total of expenditures for the fiscal year 1935-36. It should be remembered, however, that the total for 1936-37 includes the abnormal item of \$18,765,000 representing the write down of loans made to Manitoba and Saskatchewan during

the years 1930 to 1935. Had this item which relates to transactions of previous years not been included, our total expenditures for the current year would be \$11,832,000 less than those for last year.

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1936-37

In the following table an attempt is made to show the percentage distribution of revenues and expenditures for the current year. Receipts from various taxes and other sources of revenue are shown as percentages both of total revenues and of total expenditures. Similarly several of the main items of expenditure and groups of such items are shown as percentages both of total expenditures and of total revenues. The form of our estimates and appropriations, and the method of classifying accounts make it impossible to achieve precise accuracy in such calculations as those I am now placing on Hansard, and I hope that by another year we may be able to introduce such changes in our procedure regarding estimates and accounts as will make it possible to determine more accurately the real costs of the various important services of government. I think members of the house have long recognized the need for the change I suggest. However, the results shown in the table are sufficiently accurate to enable broad conclusions to be drawn as to the relative burdens imposed on the public treasury by several important services or obligations. I now place the table upon Hansard without further comment:

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1936-37
(000 omitted)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expenditures
Ordinary Revenue—			
Income Tax.....	\$102,000	22.56	18.91
Customs Duties.....	81,500	18.03	15.11
Excise Duties.....	45,500	10.06	8.43
Sales Tax.....	115,500	25.55	21.41
Manufacturers', importation, stamp taxes, etc.....	38,100	8.42	7.06
Other tax revenues.....	2,018	.45	.37
Total Revenue from taxes.....	\$384,618	85.07	71.29
Non-tax Revenues.....	58,770	13.00	10.89
Total Ordinary Revenues.....	\$443,388	98.07	82.18
Special Receipts and Credits.....	8,125	1.80	1.50
Other Receipts and Credits—			
Refunds of capital expenditures and receipts on non-active accounts.....	610	.13	.12
Grand Total Revenues.....	\$452,123	100.00	83.80

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1936-37—*Concluded*

(000 omitted)

Expenditures	Amount (estimated)	Percentage of total Expenditures	Percentage to total Revenues
Ordinary Expenditures—			
Interest on public debt.....	\$137,405	25.47	30.39
Cost of loan flotations—			
Amortization of bond discount, etc.....	3,900	.72	.86
Charges of management.....	197	.04	.05
Total public debt charges.....	\$141,502	26.23	31.30
Subsidies and special grants to Provinces.....	\$ 16,994	3.15	3.76
Old Age Pensions.....	22,500	4.17	4.98
Civil Servants' Pensions and Superannuation charges..	2,822	.52	.62
Pensions and after-care of soldiers—			
Pensions, War and military.....	\$ 43,092	7.99	9.53
Treatment, and after-care of returned soldiers....	12,041	2.23	2.66
Total.....	\$ 55,133	10.22	12.19
Agriculture.....	\$ 8,929	1.66	1.97
Fisheries.....	1,750	.32	.39
Legislation.....	2,626	.49	.58
Mines and Resources.....	12,701	2.35	2.81
National Defence (including Civil Aviation).....	23,497	4.36	5.20
Post Office.....	32,417	6.00	7.17
Public Works.....	14,643	2.71	3.24
Transport.....	13,329	2.47	2.95
All other.....	43,017	7.98	9.51
Total Ordinary Expenditures.....	\$391,860	72.63	86.67
Capital Expenditures—			
Canals.....	\$ 52	.01	.01
Railways.....	217	.04	.05
Public Works.....	3,178	.59	.70
Total Capital Expenditures.....	\$ 3,447	.64	.76
Special Expenditures—			
Unemployment Relief and Assistance Act, 1936—			
Grants-in-Aid to Provinces.....	\$28,930	5.36	6.40
All other assistance.....	17,134	3.18	3.79
Total.....	\$46,064	8.54	10.19
Drought area relief.....	\$ 9,741	1.81	2.15
Dominion projects (special supplementary estimates).....	24,624	4.56	5.45
Total Special Expenditures.....	\$80,429	14.91	17.79
Government Owned Enterprises—			
Losses charged to Consolidated Fund—			
Canadian National Railways.....	\$43,303	8.02	9.58
National Harbours Board.....	250	.05	.06
Loans and Advances Non-active—			
National Harbours Board and Canadian National Steamships.....	919	.17	.20
Total Government Owned Enterprises.....	\$44,472	8.24	9.84
Other Charges—			
Write-down of assets to Consolidated Fund.....	\$ 545	.10	.12
Write-down of Active assets to non-active assets....	18,765	3.48	4.15
Total Other Charges.....	\$ 19,310	3.58	4.27
Grand Total Expenditures.....	\$539,518	100.00	119.33

OVER-ALL DEFICIT, 1936-37

Taking the total revenues for the year at \$452,123,000 and the total expenditures at \$539,518,000, it is apparent that there will be an over-all deficit for the fiscal year of \$87,395,000.

This, of course, takes into account the railway deficit as well as other expenditures for which the government is responsible. It compares with a total deficit last year of \$159,989,000. It is better than the figure of 100 millions deficit which I set as our goal in the budget last year. If we make allowance for the abnormal write-off of \$18,765,000 which relates to the activities of previous years and also for the special receipt of \$8,000,000 from the Wheat Board, it is indeed a very much better showing than we estimated a year ago.

But while we have succeeded in cutting last year's deficit nearly in half, and while we are able to show a substantially smaller deficit than in any year since 1930-31 when the deficit was approximately the same as for this year, I think it will be realized by all members of the house that the gap between our total income and our total outgo is still very broad and that it must be bridged at the earliest possible date.

LOANS AND INVESTMENTS
ACTIVE ASSETS

In addition to provision for the expenditures of the year as outlined, account should also be taken of loans and investments made which we regard as active assets in the public accounts. For the year such loans and investments are estimated at \$36,785,000, excluding loans that may be made to provinces between February 15, 1937, and the close of the fiscal year on March 31.

Loans to Provinces

Loans made to the four western provinces which are the most important item in this category have shown a marked decrease during the present year. The Unemployment Relief and Assistance Act of 1936 restricted such assistance to a maximum amount measured by the provincial share of the cost of unemployment relief and undertakings during February and March, 1936, and under any agreements entered into pursuant to the act. Moreover, the act contemplated that any province desiring such assistance should establish the necessity therefor, and in practice we have required the submission of detailed statements of the financial position of the province.

Up to February 15, 1937, the net loans made under this authority have amounted to \$10,892,235 as compared with \$42,304,150 made during the preceding fiscal year. As of this date, loans made to the four western provinces under authority of the various relief acts were outstanding in the dominion's books to an aggregate amount of \$127,419,400. The totals for the various provinces were as follows: Manitoba, \$19,415,855; Saskatchewan, \$51,898,717; Alberta, \$25,759,748; and British Columbia, \$30,345,080. It will be understood these figures relate to totals outstanding prior to the write-off referred to previously.

I desire to place on Hansard tables showing the net loans made to each province during each of the last six fiscal years, and a classification of such loans on the basis of the general purpose for which the loans were obtained.

NET LOANS TO PROVINCES UNDER RELIEF ACTS BY FISCAL YEARS

	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	\$	\$	\$	\$	\$
1931-32	2,788,812	10,934,341	4,097,740	4,813,124	22,634,017
1932-33	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933-34	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934-35	2,874,631	10,141,014	1,926,476	7,966,714	22,908,835
1935-36	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936-37 (to Feb. 15, 1937)	3,911,000	3,530,088	678,748	2,772,399	10,892,235
Net Loans Outstanding	19,415,856	51,898,717	25,759,748	30,345,079	127,419,400

NET LOANS TO PROVINCES UNDER RELIEF ACTS CLASSIFIED AS TO PURPOSE

	Loans specifically to meet maturing obligations and interest	Loans specifically for agricultural relief including purchase of seed grain	Loans for Provincial purposes generally including public works and direct relief	Total
	\$	\$	\$	\$
Manitoba.....	1,139,455	243,400	18,033,000	19,415,855
Saskatchewan.....	3,934,341	13,892,633	34,071,743	51,898,717
Alberta.....	8,577,000	3,152,748	14,030,000	25,759,748
British Columbia.....	11,190,509	—	19,154,571	30,345,080
	24,841,305	17,288,781	85,289,314	127,419,400

OTHER LOANS AND INVESTMENTS

Loans to Canadian National Railways for miscellaneous debt retirements, less repayments, already referred to, amounted to \$4,614,000. Purchase of railway equipment for the Canadian National Railway amounted to \$2,863,000 and for the Canadian Pacific Railway Company to \$2,303,000. In addition, \$555,000 was loaned to the latter company for railway betterment expenditures in connection with the government's unemployment relief program.

During the fiscal year the government's purchases of Canadian Farm Loan Board $3\frac{1}{2}$ per cent bonds will amount to \$11,100,000, and of the board's capital stock to \$794,000. The total investment by the government of Canada in the Farm Loan Board will reach approximately \$28,684,000 at the close of the present fiscal year.

The amount paid out by the government on loans approved under the terms of the Dominion Housing Act is expected to total \$1,218,000 during the current fiscal year. The

dominion's share of such loans represents 20 per cent of the lending value of each property financed under the act, and is paid out from time to time as required after loans are approved.

During the year, \$323,000 was advanced to the harbour commissions at Montreal and Vancouver. These loans are considered as active assets, as both commissions have paid a substantial part of the interest accrued on their obligations held by the government.

Under authority of the Bank of Canada Act Amendment Act, the government purchased 102,000 shares of class B stock of the Bank of Canada, representing an investment of \$5,100,000.

Repayments of \$2,977,000 were received during the year in reduction of soldier loans and loans to provinces for housing purposes.

The following is a statement of the amount of loans and investments made during the last fiscal year, which are regarded as active assets, and the comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE

(000 omitted)

—	1932-33	1933-34	1934-35	1935-36	(Estimated 1936-37)
	\$	\$	\$	\$	\$
Canadian National Railways.....	14,677	2,628	16,579	3,689	4,614
Canadian Pacific Railway.....	—	—	—	1,270	555
Canadian Farm Loan Board.....	871	416	353	7,933	11,894
Dominion Housing Act, Loans disbursed...	—	—	—	82	1,218
Harbour Commissioners.....	650	1,677	393	1,438	323
Provinces—under relief legislation.....	15,565	13,115	22,909	42,304	10,892
Provinces—housing.....	Cr. 139	Cr. 213	Cr. 397	Cr. 3,003	Cr. 2,038
Railway equipment purchased.....	—	—	—	7,244	5,166
Soldier and general land settlement.....	Cr. 92	Cr. 2,492	Cr. 571	Cr. 1,054	Dr. 939
Bank of Canada—Purchase of class "B" shares.....	—	—	—	—	5,100
Other.....	469	—	—	—	—
	32,001	15,131	39,266	59,903	36,785

LOAN FLOTATIONS

During the fiscal year under review dominion obligations were issued to the amount of \$382,996,000. In the case of treasury bills which have a three months' maturity and are refunded as they mature each fortnight, only the increase in the total outstanding during the year is included in the above figure. These issues, to the extent of \$311,000,000 were for the purpose of meeting maturities and the remainder was for the deficit and other current purposes.

This financing was done at a very satisfactory cost to the government. The rates of interest on new issues were lower than those prevailing on maturing issues, resulting in a considerable saving to the treasury in annual interest charges. At the close of the fiscal year, the average rate of interest on the funded debt and treasury bills outstanding was 3.75 per cent as compared with 3.9 per cent a year ago.

Loans were floated in both the domestic market and in the United States. The issues in Canada, exclusive of treasury bills, amounted to \$267,996,000. The first issue was made in June, 1936, to an amount of \$134,703,000. This issue was essentially a conversion loan, only \$20,000,000 being issued for cash, the balance being made up of conversions of 1½ per cent bonds due September 15, 1936, 2 per cent bonds due October 15, 1936, and 5 per cent bonds due November 15, 1936. The new issue was comprised of two maturities, 1½ per cent four year bonds yielding 1.63 per cent and 3½ per cent thirty year bonds yielding 3.30 per cent. Cash subscriptions were accepted only in respect to the latter maturity.

The other major operation in the Canadian market was undertaken in September when a \$100,000,000 issue was offered. This loan was also in two maturities; \$45,000,000 1 per cent four and one-half year notes sold to yield 1.40 per cent and \$55,000,000 3 per cent bonds (callable in thirty years) sold to yield 3.11 per cent. The issue of perpetual bonds in the Canadian market represented a new departure in dominion financing. It was intended as the initial step in a program which is designed to provide for the consolidation and simplification of our public debt structure. Another purpose which we had in mind was to facilitate the setting up, as soon as the condition of our national finances make it practicable, of a general sinking fund to provide for the gradual amortization of our long term debt on scientific lines. The response of the investing public to this experimental issue indicated that perpetual obligations might prove popular in Canada as they have long been in the United Kingdom. In this connection, I believe that the house will approve the policy which we have been following of taking advantage of the present period of low interest rates to get as large a proportion of our debt as possible into the form of long term obligations.

The \$33,293,000 5 per cent school lands debentures due July 1, 1936, and held by the provinces of Manitoba, Saskatchewan and Alberta were renewed for a further period of one year at an interest rate of 4 per cent.

The fortnightly offerings of our treasury bills at public tender have continued to meet a highly satisfactory response during the current year. The present cost of this short term

money is around three-quarters of one per cent. The lowest rate realized by the government was .643 per cent on September 15, 1936. The total amount of these treasury bills now outstanding is \$150,000,000 as compared with \$120,000,000 at the close of last fiscal year, and the average cost of funds obtained from this source during the year has been .775 per cent. It will be realized, however, that our purpose in issuing treasury bills is not primarily to obtain the borrowed funds at such a very low rate but rather to provide an adequate supply of high grade, liquid credit instruments in order to make possible the organization of a more effective short term money market in Canada and to facilitate the essential operations of the Bank of Canada.

It is a matter of common knowledge that the last two tax-free issues of the dominion floated during the war period will mature during the present calendar year. The first of these issues is the \$89,787,000 5 per cent war loan bonds which are payable in Canada and New York and which fall due on March 1st. As it was believed that the major portion of this issue is now held by United States in-

vestors, we entered the United States market in January to raise the funds necessary to pay off this issue at maturity. On January 21st we offered in that market an \$85,000,000 issue in two maturities: \$30,000,000 2½ per cent seven year bonds sold to the public at 99½ to yield 2.39 per cent and \$55,000,000 3 per cent thirty year bonds sold to the public at 98 to yield approximately 3.10 per cent. The remainder of the funds necessary to pay off the maturing issue will be provided directly from the dominion treasury.

The interest saving from this refunding operation will exceed \$1,700,000 per year for the next seven years at least. The additional interest saving from the refunding of the last of our tax-free issues, the \$236,299,800 5½ per cent victory loan bonds, which we expect to refund prior to their due date on December 1 next, should be substantial. To this interest saving on both issues should of course be added a substantial increase in income tax revenues following the elimination of these last tax-free bonds.

I now place on Hansard a statement summarizing the essential details of the new issues made during the year:

LOAN FLOTATIONS 1936-37

Issue Date	Maturity Date	Interest Rate	Where Payable	Price		Yield		Amount Issued
				To Public	To Government*	At Public Price	At Price to Government	
1936		%				%	%	
June 1....	June 1, 1940	1½	Canada	99.50	99.25	1.63	1.70	\$ 80,000,000
June 1....	June 1, 1966	3½	Canada	99.00	98.25	3.30	3.34	54,703,000
July 1....	July 1, 1937	4	Canada	.....	100.00	.....	4.00	33,293,471
Sept. 15....	Mar. 15, 1941	1	(School Lands) Canada	98.25	98.00	1.40	1.46	45,000,000
Sept. 15....	Perpetual.....	3	Canada	96.50	95.75	3.11	3.13	55,000,000
1937								
Jan. 15....	Jan. 15, 1944	2½	New York	99.50	98.25	2.33	2.52	30,000,000
Jan. 15....	Jan. 15, 1967	3	New York	98.00	96.00	3.10	3.21	55,000,000
								\$ 352,996,471
Increase in short term treasury bills outstanding March 31, 1937 over March 31, 1936.....								30,000,000
								\$ 382,996,471

*Price to public, less commission to underwriters or dealers.

THE NATIONAL DEBT

As at March 31, 1937, the outstanding unmatured funded debt and treasury bills of the dominion, less sinking funds, will amount to \$3,275,574,000. Adding to this amount \$255,419,000 of other liabilities, consisting chiefly of annuity, insurance and superannuation funds, Post Office savings deposits and certain trust and contingent accounts, we arrive at gross liabilities of \$3,530,993,000. Active assets, including cash on hand and investments,

amounted to \$437,498,000. After deducting the latter figure from the gross liabilities, we reach an estimated net debt of \$3,093,495,000 as at the close of the fiscal year. The increase over last year of \$87,395,000 represents, of course, the amount of the over-all deficit to which I have previously made reference.

I now place on Hansard a statement showing the assets and liabilities of the dominion as estimated as at March 31, 1937.

LIABILITIES MARCH 31, 1937

(estimated)

Bank Circulation Redemption Fund.....	\$.....	\$ 7,020,000
Insurance and superannuation funds—		
Government annuities.....	87,092,000	
Insurance fund, civil service.....	10,800,000	
Insurance fund, returned soldiers.....	15,770,000	
Retirement fund.....	8,782,000	
Superannuation funds.....	53,651,000	
		176,095,000
Trust funds—		
Indian funds.....	13,890,000	
Common school funds.....	2,676,000	
Contractors' securities deposits.....	1,250,000	
Other trust funds.....	5,595,000	
		23,411,000
Contingent and special funds.....		6,340,000
Post Office money orders, postal notes, etc., outstanding.....		2,814,000
Province accounts.....		9,624,000
Post Office savings bank deposits.....		21,800,000
Funded debt—		
Unmatured less sinking funds.....	3,275,574,000	
Matured but not presented for payment.....	6,565,000	
		3,282,139,000
Interest coupons matured but not presented for payment.....		1,750,000
		\$ 3,530,993,000

ASSETS MARCH 31, 1937

(estimated)

Active assets—		
Cash, working capital advances and other current assets.....		\$ 16,018,000
Bank of Canada, class "B" shares.....		5,100,000
Gold Bullion account.....		2,200,000
Loans to Provinces—		
Housing.....	\$ 4,730,000	
Relief Acts.....	108,654,000	
		113,384,000
Loans to foreign governments—		
Greece.....	6,525,000	
.....	23,969,000	
		30,494,000
Loans to National Harbours Board—		
Montreal.....	59,446,000	
Vancouver.....	23,755,000	
		83,201,000
New Westminster Harbour Commissioners.....		275,000
Loans under Dominion Housing Act.....		1,300,000
Bond holding account.....		12,000

ASSETS MARCH 31, 1937—*Concluded*
(estimated)

Railway accounts—		
Advances under financing acts, Canadian National Railways.....	41,399,000	
Advances under vote 427, Canadian Pacific Railway.....	555,000	
Loans for betterment or repair of railway equipment—		
Canadian National Railways.....	789,000	
Canadian Pacific Railway.....	1,270,000	
Purchase of equipment leased to—		
Canadian National Railways.....	6,748,000	
Canadian Pacific Railway.....	5,662,000	
		56,423,000
Canadian Farm Loan Board.....		28,684,000
Soldier and general land settlement.....		42,656,000
Seed grain and relief advances.....		2,370,000
Canadian government railways open and stores accounts.....		15,749,000
Deferred debits—		
Unamortized discount and commission on loans.....		39,632,000
		\$ 437,498,000
Net debt, March 31, 1937 (estimated).....		\$ 3,093,495,000
Net Debt represented by—		
A. <i>Expenditure and non-active assets, March 31, 1937 (estimated).</i>		
Capital expenditures—		
Public Works—		
Canals.....	242,727,000	
Railways.....	443,124,000	
Public buildings, harbour and river improvements.....	267,963,000	
Military property and stores.....	12,035,000	
Territorial accounts.....	9,896,000	
		\$ 975,745,000
Loans non-active—		
Canadian National Railways.....		655,527,000
Railway accounts (old).....		88,399,000
Canadian National Steamships.....		14,008,000
Loans to Provinces (Relief Acts).....		18,765,000
National Harbours Board—		
Quebec.....	26,293,000	
Chicoutimi.....	3,796,000	
Halifax.....	9,503,000	
Saint John.....	15,467,000	
Three Rivers.....	3,447,000	
Montreal (Jacques Cartier Bridge).....	2,947,000	
		61,453,000
Seed Grain and relief advances.....		491,000
Soldier and general land settlement.....		16,514,000
Miscellaneous advances.....		3,536,000
B. Consolidated fund—		
Balance, consolidated fund, brought forward from March 31, 1936..	1,194,183,000	
Excess of expenditure over revenue, fiscal year ended March 31, 1937 (estimated).....	64,874,000	
		1,259,057,000
		\$ 3,093,495,000

NOTE.—The above Balance Sheet does not take into account any loans that may be made to provinces between February 15, 1937, and the close of the fiscal year. It does, however, take into account the proposed write-off of certain Treasury Bills of the provinces of Manitoba and Saskatchewan.

The following table which I also wish to place on Hansard gives a statement of the unmatured funded debt and treasury bills of the Dominion outstanding as at March 31, 1937, and the interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1937 AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1937, July 1.....	4	Canada	33,293,470	85	1,331,738	83
Dec. 1.....	(a) 5½	Canada	236,299,800	00	12,996,489	00
1938, July 1.....	3	London	8,071,230	16	242,136	90
July 1.....	3	London	18,250,000	00	547,500	00
July 1.....	3	London	10,950,000	00	328,500	00
July 1.....	3½	London	15,056,006	66	526,960	23
Oct. 15.....	2	Canada	90,000,000	00	1,800,000	00
1939, Jan. 1.....	2	New York	40,000,000	00	800,000	00
Oct. 15.....	4	Canada	47,269,500	00	1,890,780	00
Oct. 15.....	2½	Canada	7,933,000	00	198,325	00
Nov. 15.....	2	Canada	20,000,000	00	400,000	00
1940, Mar. 1.....	3	Canada	115,013,636	82	3,450,409	10
June 1.....	1½	Canada	80,000,000	00	1,200,000	00
Sept. 1.....	4½	Canada	75,000,000	00	3,375,000	00
1941, Mar. 15.....	1	Canada	45,000,000	00	450,000	00
Nov. 15.....	5	Canada	141,663,000	00	7,083,150	00
1942, Oct. 15.....	3	Canada	40,409,000	00	1,212,270	00
1943, June 1.....	2½	Canada	20,000,000	00	500,000	00
Oct. 15.....	5	Canada	147,000,100	00	7,350,005	00
1944, Jan. 15.....	2½	New York	30,000,000	00	675,000	00
Oct. 15.....	4½	Canada	50,000,000	00	2,250,000	00
1945, Aug. 15.....	2½	New York	76,000,000	00	1,900,000	00
Oct. 15.....	4	Canada	88,337,500	00	3,533,500	00
1946, Feb. 1.....	4½	Canada	45,000,000	00	2,025,000	00
1947, Oct. 1.....	2½	London	4,888,185	64	122,204	64
1949, Oct. 15.....	3½	Canada	138,322,000	00	4,841,270	00
1950, July 1.....	3½	London	137,058,841	00	4,797,059	43
1952, May 1.....	5	New York	100,000,000	00	5,000,000	00
Oct. 15.....	4	Canada	56,191,000	00	2,247,640	00
1955, May 1.....	3½	London	48,666,666	67	1,581,666	67
June 1.....	3	Canada	40,000,000	00	1,200,000	00
June 1.....	3	Canada	55,000,000	00	1,650,000	00
1956, Nov. 1.....	4½	Canada	43,125,700	00	1,940,656	50
1957, Nov. 1.....	4½	Canada	37,523,200	00	1,688,544	00
1958, Sept. 1.....	4	London	73,000,000	00	2,920,000	00
Nov. 1.....	4½	Canada	276,687,600	00	12,450,942	00
1959, Nov. 1.....	4½	Canada	289,693,300	00	13,036,198	50
1960, Oct. 1.....	4	London	93,926,666	66	3,757,066	67
Oct. 1.....	4	New York	100,000,000	00	4,000,000	00
1961, Jan. 15.....	3½	New York	48,000,000	00	1,560,000	00
1966, June 1.....	3½	Canada	54,703,000	00	1,777,847	50
Perp. Sept. 15.....	3	Canada	55,000,000	00	1,650,000	00
1967, Jan. 15.....	3	New York	55,000,000	00	1,650,000	00
Treasury Bills due April 1, 1937...	.745	Canada	25,000,000	00	186,250	00
Treasury Bills due April 15, 1937...	.747	Canada	25,000,000	00	186,750	00
Treasury Bills due May 1, 1937...	.758	Canada	30,000,000	00	227,400	00
Treasury Bills due May 15, 1937...	.776	Canada	25,000,000	00	191,000	00
Treasury Bills due June 1, 1937...	.776 (est.)	Canada	20,000,000	00	155,000	00
Treasury Bills due June 15, 1937...	.776 (est.)	Canada	25,000,000	00	194,000	00
			3,337,332,404	46	125,081,459	97
Payable in Canada			2,478,464,807	67	74.27%	
Payable in New York			449,000,000	00	13.45%	
Payable in London			409,867,596	79	12.28%	
			3,337,332,404	46	100	%
Less bonds and stocks of the above loans held as sinking funds (estimated)			61,758,481	68		
			3,275,573,922	78		

(a) Tax free in Canada

INDIRECT LIABILITIES

Bonds and debenture stocks bearing the guarantee of the dominion outstanding in the hands of the public at the close of the fiscal year will amount to \$1,003,000,000, an increase of \$9,000,000 over the same date a year ago. This increase is due mainly to the issue of dominion guaranteed securities to refund matured or called debt of the Canadian National Railways which had not been guaranteed.

In addition, there are other contingent liabilities arising out of guarantees given under relief and other acts. During the year the only new guarantee was that in connection with the Home Improvement Plan under which the government guarantees approved lending institutions against loss up to 15 per cent of the aggregate amount of loans made by each lending institution. The limit of the aggregate loans to be made under this plan will be \$50,000,000 and therefore the maximum contingent liability of the government will be \$7,500,000. As at January 31, 1937, the amount of such loans subject to guarantee was \$1,501,000. It is difficult to estimate what the total will be on March 31, 1937, as an acceleration of lending activity is expected with the approach of the spring building season.

I am glad to be able to report that as a result of the policy of orderly marketing and the rise in wheat prices to which I have already referred, bank loans which were made to the Canadian Wheat Board under our guarantee have been completely paid off, as well as the loans made from time to time directly to the Board by the government. In a report made public on January 4, 1937, the Wheat Board stated that the total wheat and wheat contracts which had been taken over from Canadian Cooperative Wheat Producers Limited as

of December 2, 1935, amounted to 205,186,980 bushels. As of that date the Board also held 90,186,986 bushels of 1935 crop wheat making a total holding as of that date of 295,373,966 bushels. The wheat and contracts taken over from Canadian Cooperative Wheat Producers Limited plus the total receipts by the Board of 1935 crop wheat to the end of the crop year on July 31, 1936, aggregated 355,927,206 bushels. By July 31, 1936, the Board's total holdings of wheat and wheat contracts had been reduced by sales to 86,729,413 bushels. Even after giving effect, as of March 31 last, to the payment of \$15,856,000 which we made to the Board, the liability of the Board on that date for guaranteed bank advances was still substantial. To-day the Board has outstanding no loans from the chartered banks or the dominion government or from any other source.

There is still outstanding the dominion's guarantee to the Winnipeg Grain and Produce Clearing Association Limited given to assure the due payment of day to day margin moneys which may be payable by the Wheat Board to the Association arising out of transactions and trades in grain made by the Board as a member of the Association. These margin deposits are made daily and no liability accrues from day to day. The government's guarantee of bank advances for the purchase of oats by Canadian Cooperative Wheat Producers Limited for account of the province of Saskatchewan is also still outstanding. As at February 1, 1937, the amount of bank loans outstanding subject to this guarantee was \$384,760.

I now place on Hansard a table giving the principal amount of the bonds and debenture stocks and other indebtedness guaranteed by the dominion which it is estimated will be outstanding as at March 31, 1937:

BONDS AND DEBENTURES STOCKS GUARANTEED BY DOMINION GOVERNMENT
AS AT MARCH 31, 1937

Date of Maturity	Issue	Interest Rate	Amount Outstanding	
		%	\$	cts.
May 1, 1938.....	Canadian National.....	2	13,400,000	00
Feb. 15, 1943.....	Canadian National.....	2	55,000,000	00
Feb. 1, 1944.....	Canadian National.....	2½	15,500,000	00
May 1, 1944.....	Canadian National.....	3	35,000,000	00
July 1, 1946.....	Canadian Northern.....	6½	24,238,000	00
April 1, 1948.....	New Westminster Harbour Commissioners.....	4½	700,000	00
Dec. 15, 1950.....	Canadian National.....	3	20,500,000	00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000	00
Feb. 1, 1952.....	Canadian National.....	3	20,000,000	00
Aug. 1, 1952.....	Saint John Harbour Commissioners.....	5	667,953	04
Feb. 15, 1953.....	Canadian National.....	3	25,000,000	00
July 10, 1953.....	Canadian Northern.....	3	9,359,996	72
Feb. 1, 1954.....	Canadian National.....	5	50,000,000	00

**BONDS AND DEBENTURES STOCKS GUARANTEED BY DOMINION GOVERNMENT
AS AT MARCH 31, 1937—*Cont.***

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$
Mar. 1, 1955.....	Canadian National (West Indies) Steamships Limited.....	5	9,400,000 00
June 15, 1955.....	Canadian National.....	4½	50,000,000 00
Feb. 1, 1956.....	Canadian National.....	4½	70,000,000 00
July 1, 1957.....	Canadian National.....	4½	65,000,000 00
July 20, 1958.....	Canadian Northern.....	3½	7,896,546 21
May 4, 1960.....	Canadian Northern Alberta.....	3½	3,149,998 66
May 19, 1961.....	Canadian Northern Ontario.....	3½	34,229,996 87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000 00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848 00
July 1, 1969.....	Canadian National.....	5	60,000,000 00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000 00
Nov. 1, 1969.....	Harbour Commissioners of Montreal.....	5	19,000,000 00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000 00
By drawings.....	Canadian National.....	2	24,205,685 53
Various dates, 1937-54.....	City of Saint John Debentures assumed by Saint John Harbour Commission.....	Various	1,197,641 72
Serial Feb. 1 and Aug. 1, 1937-38.....	Canadian National Equipment "G".....	5	2,250,000 00
Perpetual.....	Grand Trunk Guaranteed Stk.....	4	60,833,333 33
".....	Grand Trunk Debenture Stock.....	5	20,782,491 67
".....	Great Western Debenture Stock.....	5	13,252,322 67
".....	Grand Trunk Debenture Stock.....	4	119,839,014 33
".....	Northern Railway of Canada Debenture Stock.....	4	1,499,979 67
			1,008,335,808 42

Other Indebtedness Guaranteed

	Estimated principal amount outstanding March 31, 1937
Bank advances, re province of Manitoba Savings Office... .. \$	7,121,825
Bank advances, re government of Newfoundland... ..	62,000
Bank advances, re Dominion Steel and Coal Corporation (order for rails)... ..	144,282 (Feb. 20, 1937,
Province of British Columbia treasury bill... ..	626,534
Province of Manitoba treasury bill... ..	5,894,127
Bank advances, re Canadian Cooperative Wheat Producers Limited (Saskatchewan oats account)... ..	386,988 (Feb. 13, 1937)
Reserve of chartered banks on deposit in Bank of Canada... ..	192,946,716 (Feb. 17, 1937)
Guarantee of home improvement loans (15 per cent of aggregate loans made)... ..	225,150 (Jan. 31, 1937)

I now come to the budget forecast for 1937-38:

III

BUDGET FORECAST—1937-38

I have already stated that the over-all deficit for the current fiscal year is estimated at \$87,395,000. While it is the smallest deficit since 1930-31, nevertheless its magnitude is such as to indicate the necessity of unceasing effort to restore a balance between total income and total outgo at the earliest possible moment. In the budget of last year I discussed in some detail the dangers involved in the continuing series of large annual deficits and defined the government's policy as one which sought "an immediate, appreciable approach to a balanced budget as the first step in a definite, positive program which

will assure the attaining of our final objective within a limited period." I then indicated the measures by which it was proposed to reduce the previous year's deficit by approximately \$60,000,000 to a figure not in excess of \$100,000,000 for the current year. At that time, while I did not expressly state my expectations in view of prevailing uncertainties, I hoped that it would be possible to reduce the deficit to \$50,000,000 for 1937-38 and to wipe it out altogether the following year. It now seems probable that this objective will be within our powers of accomplishment.

The house will recall that the main estimates, which are intended to provide for the ordinary operations of government, call for appropriations of \$410,467,000, and I expect the various departments, under the

consistent pressure which is being exerted to effect economies and hold down expenditures, to keep their actual expenditures below the aggregate appropriations by as much as five to ten million dollars. The special supplementary estimates which will be tabled shortly and are intended to make provision for those special or emergency needs arising out of the abnormal conditions now prevailing, indicate a maximum total expenditure of about \$96,000,000. Later, the usual provision will be necessary by way of ordinary supplementary estimates for a moderate amount of further expenditures. In this connection, I wish to announce that the government has decided to recommend to the house the restoration of the 5 per cent deduction from civil servants' salaries, effective from the beginning of the new fiscal year, and the necessary provision will have to be made in the supplementary estimates. Making allowances for these additional expenditures, we may estimate the total expenditure for 1937-38 at about \$520,000,000.

The house will realize that at this early date it is very difficult to estimate the revenues for next year with the same assurance as in previous budgets. However, judging by the way revenues have been running during the last few months, and based on the outlook for the next twelve months, I estimate that for the fiscal year 1937-38 our present tax structure will produce an aggregate revenue of \$485,000,000 derived from the usual sources as follows:—

Taxation Revenue—

Customs duties.. . . .	\$ 90,000,000
Excise duties.. . . .	47,500,000
Income tax.. . . .	113,000,000
Sales tax.. . . .	131,000,000
Manufacturers', stamps, importations and other special taxes.	42,000,000
Banks and insurance companies..	2,000,000

Total taxation revenue.. . . \$425,500,000

Non-tax Revenue—

Post Office receipts.. . . .	36,000,000
Interest on investments.. . . .	11,600,000
Other.. . . .	11,900,000

Total non-tax revenue.. . . \$ 59,500,000

Grand total revenue.. . . \$485,000,000

This estimate takes no account of any special receipts and credits and represents a lower rate of increase than took place during the present year even after making allowance for that portion of this year's increase in receipts which was due to increased tax rates.

If this estimate of total revenue is realized and if aggregate expenditures are kept within the estimated figure of \$520,000,000, the overall deficit for the coming year should not

exceed \$35,000,000. Stating my expectations in another way, I shall be greatly disappointed if we cannot keep our total deficit for 1937-38 within the limit represented by the net cash deficit of the Canadian National Railway system. If we can attain this objective in 1937-38, I am confident that it should not be beyond our powers to wipe out the deficit altogether during the following year and begin the period when progress can be made in liquidating the accumulated deficits which have been funded during the depression. That is the goal which we must steadily keep in sight.

Last year the size of the gap between total income and total outgo made it essential to impose a substantial increase in taxation levies. The public accepted the imposition of these new burdens, not gladly it is true, but nevertheless with a sure sense that it was the right thing to do, that a serious problem existed and that it had to be faced squarely, though sacrifices might be involved. Fortunately the increase in the total income of the people has reduced the weight of the burden. In view of the progress that has already been made and the outlook for the immediate future, I am indeed happy to inform the house that it is not my intention to recommend any increases in taxation for the coming year.

Taxation Changes

The income tax will continue on the present basis. Furthermore, no alterations are to be made in rates of taxes either under the Special War Revenue Act or under the Excise Act. The only changes proposed are a few minor additions to the schedule of exemptions under the sales tax. Articles specially designed for use of the blind are to be given exemption. Art work and printing plates made therefrom for non-advertising purposes in periodical publications will also be exempted. Other items to be added to the list of exemptions are raw and salted hides, certain refractory materials, spinal braces and parts thereof, ingredients used in canning fish, and parts for grain and seed cleaning machines.

IV

TRADE AND TARIFFS

I turn now, Mr. Speaker, to matters relating to trade and tariffs. The expansion of our foreign trade is undoubtedly the outstanding feature of the recovery movement in Canada during the past year. The acceleration of foreign demand for our products has probably been the most important single cause of the increase in our productive activity. It has provided expanding and profitable markets

for our great primary industries and as a result of this impulse new vigour has been infused into all our industries.

Foreign Trade

In the calendar year 1936 Canada's export trade passed the billion dollar mark, the highest level since 1929. Indeed, taking account of the lower level of prices, the physical volume of our exports was about equal to the 1929 level. The value of our exports, including commercial gold, reached a total of \$1,027,901,000, a gain of \$189,559,000, or 23 per cent over 1935. This increase is all the more significant in view of the fact that agricultural and vegetable products which accounted for 47 per cent of our total exports in 1928 were only 34 per cent of the total in 1936. Imports for the year amounted to \$635,191,000, which exceeded the 1935 total by \$84,876,000, an increase of 15 per cent. Our total foreign merchandise trade for the year amounted to \$1,663,093,000. This was an improvement of \$274,435,000 over the previous year, or an increase of 20 per cent. The latest available figures for exports show a percentage increase for January of this year, even greater

than that for the whole year 1936. The increase in January, 1937, over January, 1936 was nearly 29 per cent. As a result of our gains in 1936 Canada has moved up from fifth to fourth place among the nations of the world in export trade, while retaining her position of fifth place in total trade.

This expansion of our foreign commerce of course reflects in part the improvement in world trade conditions, more stable currency relations in foreign exchange markets, and a general improvement in the demand for raw materials. But that is by no means the whole story. For while the total international trade of the world, as indicated by figures for 73 countries published by the League of Nations, is estimated to have improved by about 8 per cent in 1936, Canada's total trade showed an increase of 20 per cent. As our own trade gain is so much above the average of other countries I think it is not unreasonable to interpret this as clear evidence of the success of the government's trade policies.

A statement of total merchandise trade for the twelve months ended December 31, 1936, with comparative figures for 1935 follows:

Trade of Canada
(includes commercial gold but not monetary gold)

	Calendar Year		
	1935	1936	Increase
Imports.....	\$ 550,314,551	\$ 635,190,844	\$ 84,876,293
Exports:			
Canadian produce.....	825,284,114	1,015,205,435	189,921,321
Foreign produce.....	13,058,945	12,696,519	-362,426
	<u>\$1,388,657,610</u>	<u>\$1,663,092,798</u>	<u>\$ 274,435,188</u>

The figures just given show that Canada established on merchandise trade account a very substantial net credit balance. If to the export figures already given we add, as we should, the gold earmarked during the year and held by the Bank of Canada for clients abroad, that is, gold of our own production which would otherwise have gone abroad and is, in fact, owned abroad and paid for so far as we are concerned, then the excess of our exports over our imports would have amounted to the very impressive total of \$452,000,000. The credit balance on commodity trade alone, excluding gold, was 326.9 million dollars, and was the largest recorded since 1925. Preliminary estimates of tourist trade show an increasing stream of visitors to our country, and an expenditure here last year of about \$250,000,000, an increase of more than 24 per cent over 1935. After deducting estimated Canadian tourist expenditures abroad there still remains a net credit

balance on tourist account of \$165,000,000. Adding this to our merchandise credit just referred to gives a total credit balance of no less than \$617,000,000 on account of merchandise and tourist trade combined.

This credit balance, Mr. Speaker, gave Canada an ample supply of foreign exchange funds with which to meet interest and dividend payments to foreign creditors as well as other invisible debit items in our balance of payments, and at the same time enabled us to effect a very substantial reduction in our net capital indebtedness abroad.

In examining the distribution of our trade among countries during the past year we find that the United Kingdom purchased from us just over \$400,000,000 worth of goods, which was about 39 per cent of our total exports, a percentage slightly above that of the previous year. The British Empire, as a whole, took about \$486,000,000 of our total sales abroad as compared with \$382,000,000 in the previous year. While the greater part of this additional

volume sold within the empire went to the United Kingdom, nevertheless South Africa, Australia and New Zealand also purchased substantially more from us than in 1935.

Imports from the United Kingdom were slightly higher in volume, reaching a total of \$123,000,000 as compared with \$117,000,000

for the previous year. From the empire as a whole our purchases were up over \$15,000,000 in 1936 as compared with 1935.

I desire now to place on Hansard figures showing trade with the United Kingdom and with the empire as a whole, for the calendar year 1936, with comparative figures for 1935:

Trade of Canada with Empire Countries
(includes commercial gold but not monetary gold)

	Calendar Year	
	1935	1936
Imports from the United Kingdom.....	\$116,670,227	\$122,971,264
Exports to the United Kingdom.....	307,714,364	400,749,376
Imports from the British Empire.....	173,888,810	189,319,021
Exports to the British Empire.....	382,222,952	485,619,218

I am sure it will be a matter of special interest to the house to observe the growth in our trade with the United States, as we now have a full year's experience under the operation of the Agreement which established new schedules of rates on January 1, 1936. During the year our total trade with the United States, including commercial gold, amounted to \$787,000,000 as compared with \$683,000,000 for 1935, an increase of \$104,000,000, or 15 per cent. If we exclude commercial gold entirely from the figures for the two years under comparison we find that the trade increase in 1936 was just over 22 per cent. Calculated on this same basis, exports to the United States were greater by 26 per cent, while imports from the United States were higher by 18 per cent. It will be noted that these percentage increases are appreciably above the corresponding increases in our trade with all countries. The increase in trade with our nearest neighbour is ample evidence of the benefits which follow a policy of seeking wider markets through trade agreements. I shall now review, in summary fashion, the steps which have been taken by the government in this direction during the past year.

TRADE AGREEMENTS

As a result of negotiations, Russia rescinded an order of April 20, 1931, which had prohibited all importing organizations and trade representatives of the Soviet Union from purchasing any goods of Canadian origin, as well as from chartering Canadian vessels. Canada, on her part, rescinded the Order-in-Council of February 27, 1931, prohibiting the importation from the Soviet Union of coal, wood-pulp, pulpwood, lumber, asbestos and dressed furs.

A provisional trade agreement was concluded with Germany on October 22, 1936, whereby each country conceded to the other a guarantee of most-favoured-nation treatment

in tariff matters. Associated with this was a "payments agreement," which provides that exchange accruing from German exports to Canada shall be made available for the purchase of Canadian goods. Definite percentages of this exchange are allotted for the purchase of commodities of such interest to Canada as wheat, apples, cheese, honey, fish, fox skins, asbestos and lumber.

The Canadian-Polish Convention of Commerce was brought into operation, providing for exchange of most-favoured-nation treatment between Canada and Poland, and for special concessions on both sides with respect to a limited list of articles.

A former arrangement with Brazil, whereby Canada conceded her intermediate tariff to Brazil in return for most-favoured-nation treatment, was terminated by Brazil on July 30, 1936, in pursuance of her policy of cancelling all old trade agreements. Following negotiations, Canada retained the benefit of the Brazilian minimum tariff (which is about one-quarter less than the maximum) on all goods, in return for granting to Brazil the Canadian intermediate tariff.

With another South American country, Uruguay, Canada signed an agreement on August 12, 1936, which provides for exchange of most-favoured-nation treatment as regards customs duties and related questions, including quotas and allocation of exchange for commercial transactions. Uruguay is to accord Canada her normal tariff, thus ensuring Canadian goods against a tariff one-half higher, which, under Uruguayan tariff regulations, may be applied to countries not offering reciprocity.

The trade agreement of 1932 between Canada and New Zealand, which was drawn for only one year, has been kept in operation by several renewals; on July 22, 1936, the agreement was extended until September 30, 1937, without further amendment.

Canada-United Kingdom Trade Agreement

These general observations regarding the expansion of our import and export trade constitute a fitting introduction to the presentation to parliament of the new trade agreement which has just been concluded with the United Kingdom. The Speech from the Throne intimated that agreement in principle had been reached between the two governments. As you now know, sir, the new trade agreement was signed on Tuesday of this week, and at the conclusion of these remarks I shall lay it upon the table of the house. At this point I should state that by arrangement with the government of the United Kingdom, which is as anxious as we are to put the tariff changes arising from the agreement into force at the earliest possible moment, it has been agreed that the provisions of article 9 and schedule "E" of the 1932 agreement shall cease to have effect from 12 o'clock to-night, when the provisions of articles 6, 7, and 8 and schedules IV and V of the new agreement will be in effect.

The extent and importance of Canada's trade with the United Kingdom would enable me to give a much more imposing statistical presentation than I used earlier in these remarks. But in this matter widely known and well understood facts make mere figures seem superfluous. We all realize that Canada's most prized market has been and continues to be the United Kingdom. Every Canadian Minister of Finance, in almost every budget speech, has had occasion to refer to that fact. In going last summer to London to initiate the negotiations which have resulted in the agreement to be tabled this afternoon, Canadian ministers realized that they were setting out upon a mission the objective of which was not to capture but to hold the most valuable market this dominion has ever known. As to how or when or by whom that great market was gained for Canada is not a matter about which we need dispute. Former Liberal administrations were pioneers in seeking it out and securing it, for they first conceived and put into operation the principle of giving to British goods a preferred position in our economy. But the good work initiated in 1897 has been carried on by all succeeding governments in Canada, however greatly the views of the major parties might differ as to the best means of attaining the objective. While those of us who sit now to your right, Mr. Speaker, may not adopt the same methods as our predecessors, believing our own to be better, we readily admit that they and we have been and are actuated by a keen desire for the best good

of our country. Our objective, may I repeat, at London last summer was to retain for Canada a magnificent market; and I am certain that the opinion of this house and the country will be that the ground which has been won over many years has been held and consolidated at a minimum of cost.

Time will permit me to review only briefly the general principles underlying the agreement and to summarize its main provisions. Needless to say, all the articles in the agreement as well as the items comprising the schedules thereto, will be open to the fullest discussion when the House is in committee.

Careful examination of the provisions of the new agreement, which can only be made in committee, will I think, convince the house that a successful effort has been made to bring the policy of British preference, which successive Canadian governments have maintained for forty years, into closer alignment with the trade policy to which this government stands committed. The present agreement is in no sense a simple renewal of the trade agreement between Canada and the United Kingdom signed at Ottawa in 1932. The detailed differences between it and the one which it will supersede will be developed in committee. From the beginning, however, it should be clearly understood that throughout the negotiations which resulted in the present agreement, the Canadian government has insisted on broadening the opportunities of international trade, without impairing the practical effectiveness of the British preferential system, and has endeavoured to apply within that system the principles of commercial policy which it hopes to see realized in the economic relations of Canada with the rest of the world. The measure in which these objectives, which were in large part shared by the government of the United Kingdom, have been attained, can only be appreciated by a close examination of the text of the new agreement and its comparison with the corresponding provisions of the Ottawa agreement of 1932.

The goal of both the United Kingdom and the Canadian government in intra-imperial, as in international trade, is the lowering of tariff barriers and the freeing of trade from fettering restrictions; and the preamble to the agreement is evidence of a new emphasis on the importance of increasing the volume of international and intra-imperial trade, and a departure from some of the earlier forms of preferential policy, which were too much concerned with diverting a diminishing volume of trade into unfamiliar and uneconomic channels.

An examination of the changes in the structure of the Canadian tariff resulting from the application of the provisions of the new agreement will show that the emphasis on trade expansion in its preamble is not misplaced. Although actual margins of preference on 179 items enumerated in schedule IV will be increased, in each case this increase is a consequence of a reduction in the duty against the United Kingdom. No preferences have been enlarged or created by increasing rates of duty against third countries, and the concessions made to the United Kingdom have been by way of lowered duties. It should not be necessary to stress the fundamental difference between this approach to the problem of preferential treatment and that which resulted in the 1932 agreement, in which a large proportion of the preferences guaranteed to the United Kingdom were created by raising the intermediate and general tariffs, and coupled, in a number of cases, with higher duties against the United Kingdom itself than had formerly been in force.

It will be found, in comparing the tariff items in schedule IV on which the preferential rate is reduced, with those in schedule I of the Canada-United States trade agreement, in which special reductions below the intermediate tariff were accorded the United States, that there are very few items which occur in both schedules. The explanation of the fact that enumerated tariff concessions to the United Kingdom and to the United States are largely made on different commodities lies in the complementary rather than competitive character of the bulk of Canadian imports from our two chief customers and sources of supply.

The reduction in the number of tariff items on which margins of preference are bound against decrease, from 215 in the 1932 agreement to 91 in schedule V of the present agreement, is further evidence of the effort that has been made to reconcile the principle of preferences with the necessity of removing barriers that stood in the way of international trade. The new agreement achieves a radical and far-reaching revision of the restrictions which its predecessor put upon the freedom of Canada to negotiate for the reciprocal reduction of tariff rates with third countries. Many items on which the differential margin between the British preferential and intermediate tariffs had operated either to limit Canadian trade treaty negotiations with foreign countries, to maintain prices of imported or domestic goods at unduly high levels, or in which five years' experience had shown that United Kingdom industries had not made, or were not likely to make, full use of the preferences

afforded them, have been dropped from the schedule, and, in twenty-one cases, the margins of preference on items remaining have been reduced.

In addition to the limited number of fixed margins of preference provided for in schedule V of article 8, there is provision in article 7 for a sliding margin of preference on United Kingdom goods, which are enumerated in schedule IV, dutiable under that schedule and "not of a class or kind made in Canada." I might point out that the obligation to maintain preferential margins on goods in this special category is terminable at any time by the reduction of the British preferential rate to free entry.

Further, either government is free at any time to modify or suspend any of the margins of preference set out in schedules III or V, if it is satisfied that a combine or monopoly of exporters is exploiting its domestic consumers by virtue of the preferential margins there provided for.

The gradual change and diversification of trade between Canada and the United Kingdom has given a very real point to the grievance frequently voiced by British industrialists who have been heard to complain that while competitive Canadian goods could enter the British market free of ordinary duty and free of dumping duty, and in some cases be sold there at prices below the fair market value for home consumption of the same goods in Canada, if the British manufacturer tried to meet dumping by dumping, his efforts were effectively blocked by ordinary duty plus special duty, which kept the Canadian market a closed and profitable preserve for our protected manufacturers. Such situations I know were not very frequent, but that they could occur is sufficient justification for the inclusion in the agreement of a special provision—article 12—under which the Canadian government agree that, in circumstances such as I have described, they will exempt particular classes of United Kingdom goods from dumping duty. This article is self-explanatory; it will, I think, be recognized as neither more nor less than an assurance of fair play both for the British manufacturer and the Canadian consumer. I hope that this evidence—afforded by the presence of this article in the agreement—of the government's determination to give no shelter or protection to unfair practice in export or internal trade, will in itself lead offenders to abandon the practice complained of, and make it unnecessary to apply the procedure provided in the agreement.

From this review of the aspects of the new agreement affecting the tariff treatment of British goods imported into Canada, it will,

I think, be recognized that the Canadian government has succeeded in translating into policy those principles by which, in opposition, its leaders measured and criticized the Ottawa agreement of 1932. It will be remembered that the principal counts on which that agreement was then judged and found wanting were, first, that preference had been increased by raising rates against third countries instead of lowering them in favour of Britain; second, that an inordinate number of tariff rates were bound against decreases; and, third, that the term of the agreement—it was fixed for five years as against three for the new agreement—was unduly long and restricted the independence of action of succeeding parliaments and governments. Under each of these heads, the new agreement meets the conditions which the present Prime Minister laid down when Leader of the Opposition, and, taken as a whole, I think it can be regarded as the complement within the Commonwealth to the United States trade agreement in the international field.

Turning now to those provisions of the new agreement bearing on the tariff treatment of Canadian goods imported into the United Kingdom, I need not emphasize the vital importance to Canada of confirming, for a further period of years, the assurance of unrestricted free entry into the United Kingdom market, which perhaps more than any other single factor has assisted Canadian economic recovery. In these years of constricted international trade, when high tariffs, exchange regulations and quantitative restrictions of every type have limited Canadian export opportunities, free entry into the United Kingdom market has saved the Canadian economy from strains that it probably could not have withstood. The importance of external markets to a country geared into a world economy needs no expounding—and of external markets no other has continued all through Canadian history to offer to the Canadian lumberman, farmer and fisherman the freedom of access which he enjoys in the United Kingdom.

The assurance in article I of the new agreement of the continuance of free entry for Canadian products is undoubtedly the great advantage which we receive from it. In maintaining free entry into the United Kingdom for Canadian goods, including manufactured products, we have kept open for a further term of years a door that once seemed to be rapidly closing. It is a matter of common knowledge that British industrial interests, with appetites edged by their recent taste of tariffs, are anxious to round out their present protective system by the imposition of duties on manufactured goods imported from Canada—nor

are British agriculturists by any means reconciled to the continuance of free entry for Empire produce. The fact that(in spite of the influence of these powerful economic groups, the government of the United Kingdom were prepared to renew the assurance of free entry for Canadian produce is evidence of their appreciation of the magnitude and value of the reductions in duty on United Kingdom goods contained in schedule IV to the new agreement.

The trade figures that I am tabling in a separate document indicate much more clearly and vividly than any summary I could compress into this speech, the range of Canadian commodities, produce of factory, fisheries, forest, farms and mines, that are now being exported to the United Kingdom. It is this vast physical movement of goods that is in the last analysis the test of the value to Canada of the free entry into and preferential treatment in the world's greatest import market which the terms of this agreement assure us. We are all aware of the importance of the British market for lumber and salmon and apples and wheat—we are less likely to realize that it is also a market for iron and steel products—for motor cars and machinery, manufactured goods of many kinds. The exchange of goods between Canada and the United Kingdom is no longer merely an exchange of raw materials for finished goods.

I do not propose to enlarge on the items on which the United Kingdom has agreed to reduce or stabilize its tariffs. The reduction of duty and consequent increased margin of preference on natural silk stockings will be of value to an export industry that has, in recent years, been supplying an increasing share of the United Kingdom's import requirements, while the assurance that neither the duty on motor cars and their parts, nor their content qualification for preferential treatment, will be increased without the consent of the government of Canada will remove two sources of uncertainty which have caused a major export industry a great deal of anxiety. In passing, it might be noted that schedule II contains the first reduction of rates by the United Kingdom in a trade agreement with a Commonwealth country; in most of the trade agreements concluded by the United Kingdom in recent years that country has refused to make any reductions in tariff, and confined its concessions to undertakings not to increase existing rates of duty.

As regards those commodities on which Canada is guaranteed the benefits of definite margins of preference, I might point out that there are no articles in schedule III on which

margins of preference were not bound in one or other of the agreements concluded by the United Kingdom with the dominions in 1932. There were a number of commodities on which the same margins were guaranteed to two or more dominions, and there were other commodities on which a margin was guaranteed to one dominion but of which some other dominion was actually the United Kingdom's largest supplier; for instance, the margin on honey was bound in the New Zealand agreement but Canada sent more honey to the United Kingdom than did New Zealand, while the margin on chilled and frozen salmon was bound in the Newfoundland agreement, although Canada was as large an exporter of this product as Newfoundland. In negotiating the present agreement, we not only consolidated the preferences shown in schedules B and C of the Canada-United Kingdom agreement, but added a number of preferences, which the United Kingdom was already bound to maintain and which are important to Canada.

Not only are no new commodities bound, but in no case have existing margins of preference been increased. It is as true to say for the United Kingdom as for Canada that no concessions incorporated in the new agreement have impaired the tariff treatment of third countries. In this connection, a point that is often overlooked by critics of the system of preferences might be emphasized. The preferences enjoyed by Canada in the United Kingdom market are really extremely moderate and are much lower in most cases than the measure of domestic protection enjoyed in home markets of foreign countries by competing producers of those commodities. The *ad valorem* preferences are as a rule ten per cent, and in no case exceed fifteen per cent; the preferences expressed as specific duties on foreign goods are approximately equivalent, at present prices, to this range of *ad valorem* rates.

Article 5 falls into two parts—the first part, relating to bacon and hams, corresponds to article IV of the 1932 agreement, which assured free entry of bacon and ham up to a maximum of 2,500,000 hundredweight or 280,000,000 pounds per annum. The new agreement continues the assurance of free entry and confirms the maximum of two and a half million hundredweight (almost double the largest actual shipments made by Canada in any year to date). It assures Canadian farmers an uninterrupted opportunity of expanding their export trade toward that maximum and precludes the United Kingdom from

bringing imports from Canada within its general system of supply regulation, unless their rate of expansion becomes “abnormal and such as to endanger the effective working of the system of supply regulation”—and then only after consultation with the Canadian government, which, for its part, agrees to continue to furnish as close estimates as possible of the forward movements of bacon and ham to the United Kingdom market. The importance of the assurance of favourable entry into the profitable and protected British market for bacon—which is, incidentally, the only import market for bacon of any consequence in the world to-day—is clearly shown in the supplementary statistical material which I propose to have printed for the convenience of members of the house. At this time it is enough to say that in the last calendar year, out of total exports—that is Canadian exports—of bacon and ham of 158 million pounds, 98 per cent of the total, or more than 154 million pounds, valued in excess of \$25,000,000, were shipped to the United Kingdom. The safeguarding of this market, and the maintenance of our opportunity to expand our sales in it, are in themselves major advantages of the new agreement.

The special provisions of the agreement relating to bacon and cattle represent an adjustment of differing types of economic organization. The general assurance of exemption from import duty had to be reinforced—for these commodities—by guarantees that the system of supply regulation which the government of the United Kingdom has adopted for the protection of its domestic agriculture would not frustrate the purpose of the preference which they were ready to accord to Canadian produce. It was, therefore, necessary in each case to work out in collaboration with the United Kingdom a method of securing for Canadian farmers the opportunity to develop their exports to the United Kingdom, without attempting to dictate to the United Kingdom government the form that its domestic policy should take. This method we think we have finally found in article 5 of the new agreement, which safeguards Canadian interests and at the same time enables the United Kingdom to proceed with a policy of marketing organization which they hope will result in stable and remunerative prices for bacon and beef, from which of course every Canadian producer of hogs and cattle will benefit.

The detailed arrangements affecting cattle and beef are complicated and I shall reserve their fuller discussion for committee. At this stage I shall only point out that our producers

are guaranteed absolute freedom from import duty, the value of which is enhanced by the preferential margin created by the imposition as from December 1, 1936, of a duty of a cent and a half a pound on foreign chilled beef, and a proportionate duty on foreign frozen beef. Within the framework of the general scheme for regulating the import of cattle and beef into the United Kingdom, Canadian exports of fat cattle and beef would be free from all quantitative control so long as the annual quantities shipped do not exceed what the agreement describes as "recent levels," that is, 1933 and 1934, when the number of fat cattle exported to the United Kingdom averaged 50,000 head as against 6,000 odd in 1935 and 33,000 in 1936. In passing, I might point out that the irregular volume in which Canadian cattle move to the United Kingdom market, which in 1934 took 85 per cent of our exports as against only 7 per cent in the next year, illustrates the basic difficulty of adjusting our interest in reserving the right of access to what is now a secondary market for our cattlemen, with the United Kingdom's not unnatural interest in securing a stable and uninterrupted supply of meat from countries whose interest it would be to cooperate in its endeavours to stabilize supplies and prices at a remunerative level. In the light of this situation it should, I think, be agreed that the United Kingdom has gone a long way to recognize the special character of the Canadian cattle export trade and to make special allowances for its maintenance under the international meat scheme which it proposes to set up.

The fact that there is no counterpart in the present agreement to articles 5 and 18 of the 1932 agreement does not mean that the United Kingdom proposes to revert to the conditions which governed the importation of live cattle from Canada prior to 1932, or that Canada has any intention whatever of altering, to the disadvantage of the United Kingdom, the regulations for the importation of pedigreed stock from that country.

General considerations of the same order account for the disappearance of articles 10 to 17. Surely this country has sufficient interest in maintaining an efficient and law-abiding customs administration to make one-sided provisions, such as article 16 of the old agreement, entirely unnecessary. Questions of departmental procedure and organization, which are properly each country's domestic responsibility, have been returned to its jurisdiction. Formal changes of this character are of course subordinate to the main purposes of the agreement and will not involve any inter-

ruption of arrangements that have been working to the general satisfaction of both countries.

Concessions in the tariff treatment of United Kingdom goods which are to be made by Canada are chiefly those embodied in schedules IV and V to the agreement. Schedule IV enumerates the proposed reductions in duties, while schedule V sets forth such fixed margins of preference as the Canadian government undertakes to maintain in favour of certain specified commodities originating in the United Kingdom. For purposes of brevity and clarity, it is advisable to refer separately to these two schedules.

Schedule IV enumerates 425 tariff classifications of goods on which this country gives an undertaking not to increase duties of customs against Great Britain in excess of those therein set forth. Of the 425 items, 246 appear for the purpose of binding as a maximum the duty at present effective, and 179 for the purpose of reducing the existing rate on United Kingdom products. As an indication of the scope of the reductions in duty, it may be stated that, in the fiscal year ended March 31, 1936, imports from the United Kingdom of the goods covered by the group of 179 items which are to be reduced were valued at between 27 and 28 million dollars.

Obviously, time at my disposal will not permit detailed reference to the great number of commodities affected by the reductions in rate under schedule IV. Beyond any doubt, however, these represent the most extensive downward revision of duties on United Kingdom products made at any one time since the inception of the British preference. These reductions cover an extremely wide range of semi-processed and fully manufactured goods of the kind which enter into the daily living of our people:—

In foodstuffs and other edible commodities, reduced rates will apply on meat extracts, chocolate and cocoa preparations, unsweetened biscuits, pickled and preserved vegetables, marmalades and preserves, canned herring, and confectionery of all kinds. Reductions are proposed also on cigarettes, as well as on ale and beer.

A wide field of paper products is affected, including greeting cards, camera films, electrical insulating board, wall-papers, wrapping paper of all kinds, and "all manufactures of paper n.o.p.," including envelopes and stationery.

Paints, varnishes and lacquers, as well as white lead, oxides and fillers, will bear lower

imposts on importation from the United Kingdom, as will also certain clay products, notably firebrick, earthenware churns and crocks, tiles and blocks for flooring, sanitary earthenware of all kinds, and various types of English-made stoneware and earthenware.

The duties on glass tableware, cut glassware, and certain sizes and weights of plate glass are lowered, and rates on all unenumerated manufactured articles of glass are also reduced.

Reductions will apply on numerous primary and secondary products of iron and steel, including hot- or cold-worked bars and rods; rounds and squares of defined sizes; hot-rolled strip and hoop steel; poundage and other alloy steels in flat form; corrugated metal sheets and enamelled sheets; saw steel, tempered; fully finished structural steel; forgings of iron or steel; railway axles; cast iron and cast steel pipe; wire cloth and netting, including netting for fox-fencing; coal-cleaning machinery; ore and rock crushers, grinding mills, coal cutters and rotary coal drills; blowers and rotary kilns for metallurgical purposes; office machinery of all kinds; vacuum cleaners and sewing machines; lawn mowers and ball and roller bearings; nuts, bolts, butts and hinges; vitreous enamelled ware and other kitchen and dairy hollow-ware; sanitary ware of iron or steel, coated or not; steel wheels for railway rolling stock; trackless trolley buses; aircraft engines; dynamos, transformers, generators and electric motors; electrical precision instruments of various kinds; files and rasps; buckles, clasps, fasteners, needles and pins; and furniture of wood or metal.

In cotton goods, the reductions will affect printed, dyed or coloured fabrics; shadow-cloth, gabardines and certain cut-pile fabrics; cotton handkerchiefs; book-binders' cloth, and certain fine cotton fabrics.

Practically all the major items in the wool schedule figure in the list of proposed reductions. The following wool products are among those which will enter from the United Kingdom at lower duties than heretofore; woollen and worsted yarns, whether for manufacturing purposes or for counter-sale; pressed felt and wool filter cloth; blankets of all kinds; woollen and worsted fabrics "in the grey," imported for finishing in Canada; practically all lines and weights of woollen and worsted cloths, including suitings and overcoatings; woollen clothing of all kinds, and many unenumerated articles manufactured from or containing wool.

In silk and artificial silk goods there are many important reductions, including those

on woven fabrics of all kinds, embroideries, laces, braids and cords; and clothing and wearing apparel wholly or in part of artificial silk.

The duties are reduced on knitted garments, knitted underwear and knitted goods of all kinds; as well as on hosiery, gloves and mitts, rugs and carpets, and linoleum.

Leather and leather products show reductions on belting; on gloves and clothing leather; and on all leather further finished than tanned, n.o.p. Similarly, duties are reduced on boots and shoes; on trunks, bags and valises; on fancy cases and boxes, and on clothing made from India rubber or from water-proofed cotton fabrics.

Miscellaneous articles upon which reduced rates are proposed includes braces, jewellery, brushes of all kinds, pens and pencils, tobacco pipes and all smokers' accessories, photographic dry plates, abrasives, medicinal and pharmaceutical preparations, toilet soaps, mucilage and adhesive pastes, surgical dressings and bandages, manufactured goods of celluloid, halibut liver oil, blackings and dressings for leather or metal, articles of sterling or other silverware, clock movements and parts thereof, children's carriages and sleds, picture and photograph frames, and woven dress linens.

An interesting feature is the provision for the free entry, from the United Kingdom, of goods, other than spirits or wines, more than 100 years old.

The undertaking to maintain certain fixed margins of preference applies only to the items enumerated in schedule V, which sets forth in each instance the measure or amount of the margin. This schedule contains 91 items as against 215 in schedule E of the agreement of 1932; moreover, in 21 of the 91 items comprising the schedule the amount of the margin to be maintained is materially lessened. Among the 125 items upon which Canada is no longer (as compared with 1932) bound to maintain fixed margins of preference, are many which will be of great value in trade negotiations likely to be entered into with other countries. There is this further important difference between Canada's commitments as to fixed margins in 1932 and the commitments being entered into to-day: that, except as regards certain primary iron and steel commodities, by far the greater part of the scheduled items enumerate commodities not produced or manufactured commercially at all in Canada, and, hence, entail no element of protection for domestic interests. The value of imports from the United Kingdom,

in the fiscal year 1936, under the 91 items on which fixed margins have been granted, was approximately 37 million dollars.

In the tariff resolutions which I shall table on concluding, it is provided that the various rates set upon United Kingdom products, under this agreement, shall become British preferential rates in the customs tariff. This is in accordance with the practice followed for many years by Canada of generalizing within the empire to the greatest possible extent concessions in tariff treatment granted to any one empire country. This principle is so desirable that, in this instance, the government is disposed to apply it without exception, in spite of the fact that there are involved one or two items in respect of which the chief beneficiary may be an empire country which affords no preference to Canada; in such instances, it lies within the power of the governor-general in council to withdraw from any such non-reciprocating empire country the preferential treatment now voluntarily extended to it.

We regard the agreement as a friendly arrangement for closer economic cooperation, from which both countries will benefit and by which no other country will suffer. A liberal and moderate preferential policy such as this agreement embodies will supplement and strengthen the growing movement for freer trade within the world as a whole.

Other tariff proposals, not directly associated with the United Kingdom agreement, while not great in number, are of importance to Canadian producing and consuming interests, and of considerable significance to countries whose trade with Canada has been a factor in the recovery to which I have previously referred. Revisions in duties which extend to intermediate tariff countries include reductions in the rates on cotton clothing of all kinds, as well as on a wide range of articles manufactured from cotton; on various gums and resins used in industrial processes; on well-casing of steel for oil and gas wells; on printing plates and paper used in the production of periodicals; on parts for aircraft engines; on a wide range of plastics and plastic materials; on plate glass, decorative marble, slipper cloth, parts of surgical instruments, and certain copper alloys. Provision is made for the entry free of duties from all countries of small "personal gifts," as well as for the free entry of stringed musical instruments certified to be more than 100 years old. Various liquorice fibres and products will enter at lower rates than heretofore, as will various fumigants and disinfectants, egg-cleaning machines, electric razors, forged steel rolls,

silk yarns covered with metallic strip, certain motion-picture equipment, corset rivets, and cotton laces used in the garment industry.

TARIFF BOARD REPORTS

Reports which have been received from the tariff board and which find reflection in the tariff resolutions moved to-day include those on cherries in solution, motion-picture equipment, steel wool, hard rubber in sheets, and plastics, the last named providing for a completely new schedule to cover these products, now so widely used in industry. The board has reported also as regards chiffons and silica sand; and all reports received I shall table this day. The board will have ready in the near future reports on other matters referred to it, and it is expected that these will be received in time for consideration by the government while the house is still in committee of ways and means.

Conclusion

May I conclude, Mr. Speaker, on a note of cheer and of challenge: cheer, because the immediate outlook points to a continuation of the encouraging trends in economic activity which I have already reported; challenge, because the problems of depression we have still to solve and the new problems which will emerge with buoyant prosperity demand the best that we are capable of in wisdom, in forethought and in cooperative endeavour. We may rejoice that we have been among the leaders in the degree of our recovery from the depths of depression. But we have special problems inherited from the war or arising out of our economic and political structure with which we as a people and as a parliament will be confronted for some time to come. These problems are by no means insuperable; they merely forbid complacency, sectional dissension or relaxation of effort.

They can and will be solved as prosperity increases, if only we take care to see that such prosperity is soundly based and evenly distributed, and if we all put our shoulders to the wheel in a common national effort. I mention them here not to diminish the joy which we naturally feel in the record of expanding trade, increasing business activity, rising payrolls and improving revenues which I have been able to report, but rather as a challenge to continued endeavour, to individual, corporate and national integrity, to a keener sense of trusteeship in carrying out our everyday business and civic responsibilities. If this challenge be accepted by the Canadian people, I am confident, sir, that better days lie ahead—better indeed than we have yet known.

RESOLUTIONS

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:—

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada 1927, and amendments thereto and to provide:—

1. That schedule III to the said act, being the list of articles exempted from the consumption or sales tax be amended as follows:

(a) by striking out the paragraph reading as follows:

"Fire brick, containing not less than ninety per cent of silica; magnesite fire brick or chrome fire brick; other fire brick when for use exclusively in the construction or repair of a furnace, kiln or other equipment of a manufacturing establishment, and articles and materials to be used exclusively in the manufacture of such fire brick; materials, not to include plant equipment, consumed in the manufacture or production, and which enter directly into the cost of the manufacture of such fire brick;"

and substituting therefor the following:

"Fire brick, plastic refractories, high temperature cement, fire clay and other refractory materials for use exclusively in the construction or repair of a furnace, kiln or other equipment of a manufacturing establishment, and materials to be used or consumed exclusively in the manufacture or production of such fire brick or refractory materials."

(b) by striking out the item reading as follows:

"grain or seed cleaning machines;"

and substituting therefor the following:

"grain or seed cleaning machines and complete parts therefor;"

(c) by adding to the said schedule the following:

"Raw and salted hides;

Photographs, paintings, pastels, drawings and other art work and illustrations of all kinds, whether originals, copies or proofs, and printing plates made to reproduce the same for use exclusively as non-advertising news pictures or for illustrating non-advertising articles or stories in periodical publications enjoying second-class mailing privileges, the pages of which are regularly bound, wire stitched or otherwise fastened together;

Materials used as ingredients in canned fish;

Goods enumerated in Customs Tariff items 236B and 698."

2. That any enactment founded on paragraph one of this resolution shall be deemed to have come into force on the twenty-sixth day of February, one thousand nine hundred and thirty-seven, and to have applied to all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that date.

3. That subsection four of section eighty-six of the said act be amended by deleting the word "six" and substituting therefor the word "eight."

4. That any enactment founded on paragraph three of this resolution shall be deemed to have come into force on the second day of May, one thousand nine hundred and thirty-six.

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the Excise Act 1934 to give statutory authority to the validation fee of twenty cents per proof gallon upon spirits exported, which was imposed by regulation approved by order in council dated the second day of December, 1933; and that any enactment founded on this resolution shall be deemed to have come into force on the second day of December, one thousand nine hundred and thirty-three.

CUSTOMS TARIFF

1. Resolved, That the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934, chapter twenty-eight of the acts of 1935, and chapter thirty-one of the acts of 1936, be further amended by striking thereout subsection 2A of section 6 thereof and substituting therefor the following:

(2A) The governor in council, whenever it is deemed expedient to do so, may order that import, excise or other duties and taxes, in whole or in part, shall be disregarded in estimating the market value for the purpose of special duty of goods of any kind imported into Canada from any specified country.

2. Resolved, That schedule A to the Customs Tariff, being chapter forty-four of the Revised Statutes of Canada, 1927, as amended by chapter seventeen of the acts of 1928, chapter thirty-nine of the acts of 1929, chapter thirteen of the acts of 1930 (first session), chapter three of the acts of 1930 (second session), chapter thirty of the acts of 1931, chapter forty-one of the acts of 1932, chapters six and thirty-seven of the acts of 1932-33, chapters thirty-two and forty-nine of the acts of 1934, chapter twenty-eight of the acts of 1935, and chapter thirty-one of the acts of 1936, be further amended by striking thereout tariff items 8, 105a, 105b, 120, 160(a), 190, 191, 200a, 219a, 219c, 219e, 232d, 235, 235a, 237, 238, 241, 242, 246b, 254, 287, 320, 321, 328a, 348a, 409e(ii), 410d, 431b, 445j, 446d, 447b, 449, 451d, 473a, 476, 511, 529a, 530, 532, 534, 556b, 577, 588a, 604, 607a, 612, 616, 618a, 624, 690a, 693, 709, 742, 754, 755, 806, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff	Description	Present Rates				
		United States Tariff	Intermediate Tariff	General Tariff	B. P. Tariff	Intermediate Tariff
8	Canned meats, poultry or game.....	15 p.c.	30 p.c.	35 p.c.	15 p.c.	35 p.c.
105a	Lemon, orange, grapefruit and citron rinds, sulphured or in brine	Free	Free	Free	Free	Free
120	Olives and cherries, sulphured or in brine, not bottled in	10 p.c.	17½ p.c.	30 p.c.	10 p.c.	17½ p.c.
120	Anchovies, sardines, sprats or pilchards, packed in oil or otherwise, in sealed tin containers, the weight of the tin container to be included in the weight for duty:—					
	(a) When weighing over twenty ounces and not over thirty-six ounces each..... per box	3½ cts.	5 cts.	6 cts.	3½ cts.	5 cts.
	(b) When weighing over twelve ounces and not over twenty ounces each..... per box	2½ cts.	4 cts.	4½ cts.	2½ cts.	4 cts.
	(c) When weighing over eight ounces and not over twelve ounces each..... per box	2 cts.	3 cts.	3½ cts.	2 cts.	3 cts.
	(d) When weighing eight ounces each or less..... per box	1½ cts.	2 cts.	2½ cts.	1½ cts.	2 cts.
157a	Isopropyl alcohol	Free	30 cts.	\$1.00	Free	25 p.c.
160	Alcoholic perfumes and perfumed spirits, bay rum, cologne and lavender waters, lotions, hair, tooth and skin washes, and other toilet preparations containing spirits of any kind:—					
	(a) when in bottles or flasks containing not more than four ounces each.....	30 p.c.	90 p.c.	90 p.c.	60 p.c.	90 p.c.
187b	Sensitized negative film, one and one-eighth inches in width or over, for exposure in motion picture cameras	Free	10 p.c.	15 p.c.	15 p.c.	25 p.c.
219a	Non-alcoholic preparations or chemicals, such as are used for disinfecting, dipping, spraying or fumigating, n.o.p.					
	(i) When in packages not exceeding three pounds each, gross weight.....	5 p.c.	25 p.c.	25 p.c.	5 p.c.	25 p.c.
	or otherwise	Free	15 p.c.	15 p.c.	Free	15 p.c.
230c	Chloroform, ethylene oxide, methyl bromide, methyl formate, cyanides, or mixtures containing any of these, for use in combating destructive insects and pests	Free	Free	Free	Free	Free
232d	Acresin	17½ p.c.	25 p.c.	27½ p.c.	Free	15 p.c.
	and, per pound	2 cts.	2½ cts.	3 cts.	17½ p.c.	27½ p.c.
235	Liquorice fibres, whether or not dried, cleaned, cut to size, ground or sifted.....	Free	10 p.c.	15 p.c.	Free	17½ p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
235a	Liquorice paste, not sweetened.....	Free	12½ p.c.	17½ p.c.	Free	15 p.c.	17½ p.c.
235b	Liquorice in rolls or sticks, not sweetened.....	Free	15 p.c.	22½ p.c.	Free	20 p.c.	22½ p.c.
236b	Spinal braces and parts thereof.....	Free	Free	Free	12½ p.c.	25 p.c.	35 p.c.
237	(a) Synthetic resin moulding compositions containing synthetic resin derived from phenol and formaldehyde or their homologues or mixtures thereof, in powder or granular form.....	10 p.c.	20 p.c.	20 p.c.	15 p.c.	25 p.c.	25 p.c.
	(b) Synthetic resin moulding compositions, n.o.p., in powder or granular form.....	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
	(c) Synthetic resins, n.o.p., in liquid, powder, granular, or lump form; or in tubes, cylinders, strips, sheets, plates, blocks, bars, rods, angles, channels, tees or other shapes or sections, when for use in Canadian manufactures.....	Free	Free	Free	{15 p.c. Free	25 p.c. Free	25 p.c. Free
	(d) Laminated products of which any synthetic resin or resin-like substance is the chief binding agent, in tubes, cylinders, strips, sheets, plates, blocks, bars, rods, angles, channels, tees or other shapes or sections, n.o.p.—	15 p.c.	20 p.c.	25 p.c.	17½ p.c.	22½ p.c.	25 p.c.
	(i) with a base of paper or of fibreboard.....	20 p.c.	25 p.c.	30 p.c.	25 p.c. and, per pound	30 p.c.	35 p.c.
	(ii) with a base of cotton fabric or other woven fabric.....				.....	1½ cts.	4 cts.
238b	Cellulose nitrate or pyroxylin plastics, in tubes, cylinders, balls, strips, sheets, plates, blocks, bars, rods, angles, channels, tees or other shapes or sections, not further manufactured than moulded or pressed, when for use in Canadian manufactures.	Free	Free	Free	{Free Free	5 p.c. 7½ p.c. Free	5 p.c. 10 p.c. Free
238c	Moulding compositions of cellulose acetate or other derivatives of cellulose, in powder or granular form.	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
238d	Cellulose acetate in sheets not less than five one-thousandths of an inch in thickness, and in rods, bars, tubes and other shapes or sections, not further manufactured than moulded or pressed, when for use in Canadian manufactures.....	Free	Free	Free	Free	Free	Free
238e	Regenerated cellulose, and cellulose acetate, transparent, in sheets, not printed, and manufactures of regenerated cellulose or of cellulose acetate, n.o.p....	20 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.

234	Interlined sheet stock, composed of sheets of cellulose plastics cemented to cotton fabric.....	10 p.c.	15 p.c.	17½ p.c.	{10 p.c. {12½ p.c.	1½ p.c. 17½ p.c.	15 p.c. 20 p.c.
235	Synthetic plastic materials with a basis of casein, soybean, gelatine or starch, in tubes, cylinders, sheets, plates, films, ribbons, rods, etc., in channels, tubes or other shapes or sections, when for use in Canadian manufactures.....	Free	Free	Free	{15 p.c. {Free	25 p.c. Free	25 p.c. Free
241	Carbonaceous matter, and mixtures or combinations of such litharge with lead or other products of lead, litharge being the chief constituent by weight, when imported by manufacturers of electric storage batteries, for use exclusively in the manufacture of storage battery plates, in their own factories.....	Free	Free	Free	Free {15 p.c.	Free 25 p.c.	Free 25 p.c.
242	Dry red lead; orange mineral; antimony oxide, titanium oxide, and zinc oxide such as zinc white, etc., containing white pigments containing not less than 1 per cent by weight of titanium dioxide.....	Free	15 p.c.	15 p.c.	Free	15 p.c.	15 p.c.
244	Stains and oxides, valued at not less than 20 cents per pound, for use exclusively as colouring constituents in the manufacture of vitreous enamels and pottery glazes; finely divided metals or compounds of metals, whether dry, or suspended or dissolved in a liquid, for use exclusively in the manufacture of tableware of china, porcelain or stoneware.....	Free	20 p.c.	22½ p.c.	Free {20 p.c.	20 p.c. 27½ p.c.	22½ p.c. 30 p.c.
254	Gums, viz.: Australian, copal, damar, elemi, kauri, mastic, sandarac, Senegal, tragacanth, gerdia, and barberry; lac, crude, seed, button, stick and shell; amberris; Pontianac; gums and blends of gums, etc.....	Free	10 p.c.	15 p.c.	Free {15 p.c.	15 p.c. 25 p.c.	15 p.c. 25 p.c.
282	Saggars, when for use in the manufacture of ceramic products.....	Free	Free	Free	12½ p.c.	20 p.c.	22½ p.c.
287	All tableware of china, porcelain, semi-porcelain, or white granite, but not to include tea-pots, jugs and similar articles of the type commonly known as earthenware.....	Free	35 p.c.	35 p.c.	Free	35 p.c.	35 p.c.
306	Ornamental or decorative marble (not including chips), unicolour or variegated, of colours and/or texture not produced in Canada, rough, hammered, sawn, sand rubbed, chiselled or polished, with or without design thereon, when specially imported and used for interior work in churches and public buildings, not to include buildings operated for commercial purposes or for private gain or profit.....	Free	Free	35 p.c.	{Free {30 p.c.	20 p.c. 35 p.c. 40 p.c.	35 p.c. 40 p.c. 25 p.c.
307	Plate glass, not bevelled, in sheets or panes not over 12½ square feet each, 1/16 p. thick.....	Free	20 p.c.	25 p.c.	Free	25 p.c.	25 p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
321	Plate glass, not bevelled, in sheets or panes, exceeding seven square feet each, and not exceeding twenty-five square feet each, n.o.p.	Free	20 p.c.	25 p.c.	Free	25 p.c.	25 p.c.
328a	Parts, unfinished, for the manufacture of spectacle and eyeglass frames	Free	5 p.c.	5 p.c.	{Free {15 p.c.	5 p.c. 22½ p.c.	5 p.c. 40 p.c.
342a	Copper alloys containing boron, for use exclusively as a flux or a deoxidizer in melting non-ferrous metals	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
348a	Sculptures in any material, in round or in relief, cast or cut from models prepared in Canada and designed by sculptors domiciled therein, not to include more than two replicas or reproductions of the original model, under such regulations as the Minister may prescribe	Free	Free	Free	{Free {20 p.c.	Free 27½ p.c.	Free 30 p.c.
398b	Tubing of iron or steel, not joined, not more than ⅞ inch in diameter, with one end swaged, or swaged, split and spread, but not further manufactured, when imported for use in the manufacture of fishing rods	Free	7½ p.c.	15 p.c.	15 p.c.	27½ p.c.	30 p.c.
409e	(ii) Fruit and vegetable grading, washing and wiping machines and combination bagging and weighing machines, and complete parts thereof; machines for topping vegetables, and machines for bunching and/or tying cut flowers, vegetables and nursery stock, and complete parts thereof; egg-graders and egg-cleaners, and complete parts thereof, not including aluminum parts	Free	5 p.c.	10 p.c.	{Free {Free	5 p.c. 27½ p.c.	10 p.c. 35 p.c.
410d	Well-drilling machinery and apparatus, and complete parts thereof, for use exclusively in drilling for water, natural gas or oil, or in prospecting for minerals, not to include motive power; well-packers and complete parts thereof, for oil or gas wells; seamless iron or steel tubing of a class or kind not made in Canada, for use in casing water, natural gas or oil wells	Free	Free	Free	{Free {15 p.c.	Free 27½ p.c.	Free 30 p.c.
431h	Adzes, anvils, vises, cleavers, hatchets, saws, augers, bits, drills, screw-drivers, planes, spokeshaves, chisels, mallets, metal wedges, wrenches, sockets, hammers, crowbars, cantdogs, and track tools, picks, mattocks, and eyes or polls for the same	10 p.c.	35 p.c.	35 p.c.	10 p.c.	35 p.c.	35 p.c.

Electric dry shaving machines for use in removing hair	Free	Free	10 p.c.	Free	10 p.c.	10 p.c.
Bottles or cylinders of steel for use as high-pressure vessels	Free	20 p.c.	25 p.c.	Free	25 p.c.	35 p.c.
Forged steel rolls, hardened and ground, for use exclusively in rolling ferrous or non-ferrous metals	Free	Free	Free	Free	27½ p.c.	35 p.c.
Steel wool, including steel wool impregnated with soap or in retail packages containing a cake of soap	Free	15 p.c.	20 p.c.	Free	27½ p.c.	35 p.c.
Papier mâché shoe buttons, shoe eyelets, corset eyelets and corset rivets, shoe eyelet hooks, shoe lace buttons	Free	Free	Free	Free	27½ p.c.	35 p.c.
Cinematograph and motion picture cameras, 35 mm., for use by professional motion picture producers having studios in Canada equipped for motion picture making	Free	10 p.c.	15 p.c.	Free	25 p.c.	30 p.c.
Walking sticks and walking canes, of all kinds; golf clubs and finished parts thereof; skis; racquets and racket frames and baseball bats; balls of all kinds for use in sports, games or athletics, n.o.p.	Free	Free	Free	Free	Free	25 p.c.
(i) Surgical instruments of any material and complete sets thereof	Free	Free	Free	Free	10 p.c.	10 p.c.
(i) Dental instruments of any material; surgical needles; X-ray apparatus; microscopes valued at not less than 50 dollars each, retail; complete parts of all the foregoing	Free	10 p.c.	10 p.c.	Free	10 p.c.	10 p.c.
Walking sticks and walking canes, of all kinds; golf clubs and finished parts thereof; skis; racquets and racket frames and baseball bats; balls of all kinds for use in sports, games or athletics, n.o.p.	20 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
Lace and embroideries, wholly of cotton, not coloured, when imported for use exclusively by manufacturers in the manufacture of clothing, in their own factories	7½ p.c.	12½ p.c.	20 p.c.	7½ p.c.	12½ p.c.	20 p.c.
Lace and embroideries, wholly of cotton, coloured, when imported for use exclusively by manufacturers in the manufacture of clothing, in their own factories	7½ p.c.	17½ p.c.	30 p.c.	7½ p.c.	17½ p.c.	30 p.c.
and, per pound			4 cts.			4 cts.

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
532	Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly of cotton, n.o.p.; fabrics wholly of cotton, coated or impregnated, n.o.p. and, per pound	25 p.c.	30 p.c.	35 p.c. 4 cts.	25 p.c.	30 p.c. 1½ cts.	35 p.c. 4 cts.
534	Braided wick for candles or tapers, with or without core, processed or not:— (a) Imported by manufacturers of wax candles or tapers for use in their own factories in the manufacture of wax candles or tapers. (b) Imported, under such regulations as the minister may prescribe, for use exclusively in oil-burning sanctuary lamps.	Free	Free	Free	Free { 15 p.c. (25 p.c.	Free 22½ p.c. 32½ p.c.	Free 25 p.c. 35 p.c.
556b	Slipper cloth, woven, napped on one or both sides, wholly or in part of wool, not to contain silk or artificial silk, weighing not less than 22 ounces per square yard, when imported by manufacturers of indoor footwear, to be used exclusively in the manufacture of such articles in their own factories. and, per pound	Free	35 p.c.	40 p.c. 35 cts.	Free	35 p.c. 30 cts.	40 p.c. 35 cts.
558c	(ii) Silk yarns wholly or partially covered with metallic strip, one pound of which shall contain not less than 10,000 yards.	12½ p.c.	22½ p.c.	25 p.c.	25 p.c.	32½ p.c.	35 p.c.
577	Collars and cuffs manufactured from cellulose plastics with or without cotton interlining.	Free	20 p.c.	25 p.c.	Free	20 p.c.	25 p.c.
588a	Gas for heating, cooking or illuminating, imported by pipe line. per one thousand cubic feet	12½ p.c.	6 cts. 27½ p.c.	6 cts. 27½ p.c.	12½ p.c.	27½ p.c.	6 cts. 27½ p.c.
604b 607a	Sole leather. Leather, not further finished than tanned, in whole hides, in grains, or splits, when imported by manufacturers of upholstering leathers, for use exclusively in the manufacture of upholstering leathers, in their own factories.	Free 17½ p.c.	15 p.c. 27½ p.c.	15 p.c. 30 p.c.	Free 17½ p.c.	15 p.c. 27½ p.c.	15 p.c. 30 p.c.
612 616	Harness and saddlery, including horse boots, n.o.p. Rubber, crude, caoutchouc or India-rubber, unmanufactured; powdered rubber and rubber or gutta percha waste or junk; and recovered rubber and rubber substitute.	Free	Free	Free	Free	Free	Free
616d	Hard rubber, in strips or sheets, not less than one-sixteenth of an inch in thickness, or in rods or tubes, but not further manufactured.	Free	15 p.c.	20 p.c.	{ Free 5 p.c.	Free 7½ p.c.	Free 10 p.c.

616e	Hard rubber, in strips or sheets less than one-sixteenth of an inch in thickness, but not further manufactured.	Free	Free	Free	Free	Free
618a	Comb blanks of hard rubber, not further manufactured by pressed and vulcanized, when imported by manufacturers of hard rubber combs, for use exclusively in the manufacture of hard rubber combs, in their own factories.....	Free	Free	Free	7½ p.c.	10 p.c.
624	Bead ornaments, and ornaments of alabaster, spar, amber, terra cotta or composition; fans of all kinds; statuettes and statuettes of any material, n.o.p.....	20 p.c.	27½ p.c.	30 p.c.	20 p.c.	30 p.c.
652	Toilet or dressing combs, n.o.p.; fancy combs, not pressed, n.o.p.....	10 p.c.	25 p.c.	27½ p.c.	{ 15 p.c. 27½ p.c. { 15 p.c.	{ 40 p.c. 27½ p.c. 25 p.c.
690a	Casual donations sent by persons abroad to friends in Canada, or brought into Canada personally by non-residents as gifts to friends, and not being advertising matter, tobacco or alcoholic beverages, when the value thereof does not exceed five dollars in any one case, under such regulations as may be prescribed by the Minister.....	Free	Free	Free	Free	Free
693	(i) Articles imported by or for public museums, public libraries, universities, colleges or schools, and which are to be placed in such institutions as exhibits, under regulations prescribed by the Minister.....	Free	Free	Free	Free	Free
	(ii) Violins, violas and violoncellos, manufactured more than 100 years prior to date of importation, under such regulations, including proof of antiquity, as may be prescribed by the Minister.....	Free	Free	Free	20 p.c.	30 p.c.
	(iii) Antiquities (other than spirits or wines) produced more than 100 years prior to date of importation, under such regulations, including proof of antiquity, as may be prescribed by the Minister.....	Free	Free	Free	Dutiable under various Items, according to material, form, use, etc.	
709	(a) Goods, including containers or coverings as specified in part (b) of this item, the growth, produce or manufacture of Canada, after having been exported from that country.....	Free	Free	Free	Free	Free

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
	(b) Bags, barrels, bottles, boxes, carboys, cartons, casks, crates, cylinders, drums, tarpaulins and other usual containers or coverings, n.o.p., filled or empty, and impact registers or recorders for use in railway cars, upon which duty has once been paid.....	Free	Free	Free	{Free (Or dutiable at various rates.	Free	Free
	All the foregoing under such regulations as the Minister may prescribe: Provided that the goods are returned to the exporter thereof within five years from the time of exportation, without having been advanced in value or improved in condition by any process of manufacture or other means, or combined with any other article abroad; Provided also that any goods described in this item, upon which an allowance of drawback has been made, shall not be admitted to entry thereunder except upon payment of duties equal to the drawback allowed; Provided further that any of such goods manufactured in bond or under Excise regulations in Canada and exported shall not be admitted to entry except upon payment of the Customs or Excise duties to which they would have been liable had they not been exported from Canada.	Free	Free	Free	15 p.c.	25 p.c.	25 p.c.
809	Cocoa residues, containing not more than five per cent by weight of fat, when imported by manufacturers of chemicals for use in the manufacture of theobromine and caffeine, in their own factories....	Free	Free	Free			

3. Resolved, That Schedule A to the Customs Tariff be further amended by striking thereout tariff items 23, 65, 90 (b), 105d, 105e, 141, 143a, 147 (a) and (b), 178, 178c, 180, 181a, 187, 192b, 193, 194, 195, 197b, 198, 199, 219 (i), 220 (a) and (b), 228, 234, 236, 238a, 243, 244, 246, 247, 247a, 248, 249, 250, 252, 284, 285, 286, 288, 289, 316a, 322, 323, 326, 326a, 357, 362, 368, 369, 378 (b) and (c), 380 (c), 382 (a), (b) and (d), 383 (d), (e), (f), and (g), 385, 386 (h), 388 i, 392, 392a, 394 (a), 396, 396a, 397 (d), 398a, 402a, 402b, 407a, 410, 410a, 410c, 413, 415d, 422, 425, 427b, 430, 430a, 432, 432a, 432b, 432d, 433, 434a, 434b, 435a, 439i, 440a, 443i, 445g, 451, 451a (i) and (ii), 451b, 462, 465, 469, 512, 518, 519, 523b, 537a, 537e, 539, 542a, 542b, 548, 549c, 551, 551a, 552, 553, 554, 554b, 555, 557b, 558c, 560a, 561, 565, 568, 568a, 568b, 572, 573, 578, 587a, 597, 608, 610, 610a, 611a, 619a, 622, 623, 624a (i), 628, 647, 653, 655a, 659, 670, 710 (b) and (bb), the several enumerations of goods respectively and the several rates of duties of Customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item	Description	Preferential Tariff	Present Rates		
			General Tariff	R. P. Tariff	Intermediate Tariff
8a	Extracts of meat and fluid beef, not medicated.....	10 p.c.	35 p.c.	15 p.c.	30 p.c.
23	Preparations of cocoa or chocolate, n.o.p., and confections, coated with or containing chocolate, the weight of the wrappings and cartons to be included in the weight of the goods, and, per pound.....	12½ p.c. 2½ cts.	35 p.c. 2½ cts.	20 p.c. 2½ cts.	27½ p.c. 2½ cts.
65	Biscuits, not sweetened.....	12½ p.c.	25 p.c.	15 p.c.	22½ p.c.
90	Vegetables, prepared or preserved:— (b) Pickled or preserved in salt, brine, oil or in any other manner, n.o.p.....	15 p.c.	35 p.c.	20 p.c.	32½ p.c.
105d	Jellies, jams, marmalades, preserves, fruit butters and condensed mince meats.....per pound	2 cts.	5 cts.	2½ cts.	3½ cts.
105e	Fruits and peels, crystallized, glacé, candied or drained; cherries and other fruits of crème de menthe, marmelade or other flavour.....	20 p.c.	35 p.c.	22½ p.c.	35 p.c.
122	Herring (not including kippered herring in sealed containers) packed in oil or otherwise, in sealed containers.....	20 p.c.	35 p.c.	1½ cts. (per box)	2 cts.
141	Sugar candy and confectionery, n.o.p., including sweetened gums, candied pop-corn, candied nuts, flavouring powders, custard powders, jelly powders, sweet-meats, sweetened breads, cakes, pies, puddings and all other confections containing sugar. The weight of the wrappings and cartons to be included in the weight for duty.....per pound and	½ ct. 15 p.c.	½ ct. 35 p.c.	½ ct. 22½ p.c.	½ ct. 35 p.c.
143a	Cigarettes, the weight of the paper covering to be included in the weight for duty.....per pound and	\$3.50	\$4 10 25 p.c.	\$3 50 25 p.c.	\$4 10 25 p.c.
147	Ale, beer, porter and stout, when imported in bottles.....per gallon Provided, that six quart bottles or twelve pint bottles shall be held to contain one gallon.	15 cts.	50 cts.	30 cts. (ale and beer)	50 cts.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Inter-mediate Tariff	General Tariff
178	Advertising and printed matter, viz.:—Advertising pamphlets, advertising show cards, illustrated advertising periodicals; price books, catalogues and price lists; advertising almanacs and calendars; patent medicine or other advertising circulars, fly sheets or pamphlets; advertising chromos, chromotypes, oleographs or like work produced by any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p.— (i) when produced in countries entitled to the British Preferential Tariff and relating exclusively to products of such British countries, but not relating to Canadian products..... (ii) n.o.p.....per pound Provided, that on importations under the Intermediate or the General Tariff, the rate of duty shall be not less than.....	Free 5 cts.	12½ cts. 27½ p.c.	15 cts. 35 p.c.	Free (or 5 cts.) 5 cts.	12½ cts. 27½ p.c.	15 cts. 35 p.c.
180	Photographs, chromos, chromotypes, artotypes, oleographs, paintings, drawings, pictures, decalcomania transfers of all kinds, n.o.p., engravings or prints or proofs therefrom, and similar works of art, n.o.p.; blue prints, building plans, maps, and charts, n.o.p.	12½ p.c.	22½ p.c.	22½ p.c.	15 p.c.	22½ p.c.	22½ p.c.
181a	Pictorial post-cards, greeting cards and similar artistic cards or folders..... and, per pound	20 p.c.	32½ p.c.	35 p.c. 5 cts.	22½ p.c.	32½ p.c.*	35 p.c. 5 cts.
187	Albumenized and other papers and films chemically prepared for photographers' use, n.o.p.....	Free	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
192b	Sandpaper, glass or flint paper, and emery paper or emery cloth.....	12½ p.c.	22½ p.c.	25 p.c.	15 p.c.	22½ p.c.	25 p.c.
192d	Electrical insulating pressboard, not less than .040 inch in thickness.....	Free	25 p.c.	35 p.c.	15 p.c.	25 p.c.	35 p.c.
193	Paper sacks or bags of all kinds, printed or not.....	15 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.

Tariff Item	—	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
243	Dry white lead.....	15 p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
244	White lead ground in oil.....	20 p.c.	35 p.c.	37½ p.c.	30 p.c.	35 p.c.	37½ p.c.
246	Oxides, fireproofs, rough stuff, fillers, laundry blue- ing, and colours, dry, n.o.p.....	12½ p.c.	20 p.c.	22½ p.c.	15 p.c.	20 p.c.	22½ p.c.
247	Liquid fillers, anti-corrosive and anti-fouling paints, and ground and liquid paints, n.o.p.....	17½ p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
247a	Artists' and school children's colours; fitted boxes containing the same; artists' brushes; pastels, of a value of one cent per stick, or over; artists' canvas, coated and prepared for oil painting.....	Free	27½ p.c.	30 p.c.	{ 20 p.c. Free	27½ p.c. 27½ p.c.	30 p.c. 30 p.c.
248	Paints and colours, ground in spirits, and all spirit varnishes and lacquers.....	75 cents	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
249	Varnishes, lacquers, japans, japan driers, liquid driers, and oil finish, n.o.p.....	15 cts. 10 p.c. Free	20 cts. 25 p.c. 7½ p.c.	20 cts. 30 p.c. 10 p.c.	20 cts. 15 p.c. 5 p.c.	20 cts. 25 p.c. 7½ p.c.	20 cts. 30 p.c. 10 p.c.
250	Paris green, dry.....						
252	Shoe blacking; shoemakers' ink; shoe, harness and leather dressing, and knife or other polish or com- position, n.o.p.....	12½ p.c.	25 p.c.	27½ p.c.	15 p.c.	25 p.c.	27½ p.c.
255c	Halibut liver oil, crude or refined.....	Free	20 p.c.	22½ p.c.	12½ p.c.	20 p.c.	22½ p.c.
281b	Firebrick, n.o.p.....	7½ p.c.	20 p.c.	22½ p.c.	12½ p.c.	20 p.c.	22½ p.c.
284	Drain pipes, sewer pipes and earthenware fittings therefor, chimney linings or vents, chimney tops and inverted blocks, glazed or unglazed, n.o.p., earthenware tiles, n.o.p.....	20 p.c.	32½ p.c.	35 p.c.	25 p.c.	32½ p.c.	35 p.c.
285	Tiles or blocks of earthenware or of stone prepared for mosaic flooring.....	15 p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
286	Earthenware and stoneware, viz.—demijohns, churns or crocks, n.o.p.....	20 p.c.	30 p.c.	35 p.c.	25 p.c.	30 p.c.	35 p.c.
288	Stoneware and Rockingham ware and earthenware, n.o.p.....	20 p.c.	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.
289	Baths, bathtubs, basins, closets, lavatories, urinals, sinks and laundry tubs of earthenware, stone, cement, clay or other material, n.o.p.....	15 p.c.	35 p.c.	35 p.c.	20 p.c.	35 p.c.	35 p.c.
316a	Incandescent lamp bulbs and glass tubing for use in the manufacture of incandescent lamps, and mantle stocking for gas light.....	Free	7½ p.c. 30 p.c.	10 p.c. 35 p.c.	5 p.c. 20 p.c.	7½ p.c. 30 p.c.	10 p.c. 35 p.c.
322	Plate glass, n.o.p.....	17½ p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
323	Silvered glass, bevelled or not and framed or not, n.o.p.....	20 p.c.	30 p.c.	35 p.c.	22½ p.c.	30 p.c.	35 p.c.

326	i) Demijohns or carboys, bottles, flasks, phials, jars and vials of glass, not cut, not lamp, glass or glass, n.o.p.; decanters and machine-made tumblers of glass, not cut nor decorated, n.o.p.	15 p.c.	30 p.c.	30 p.c.	15 p.c.	30 p.c.	32½ p.c.
326a	ii) Opal glassware, glass tableware, cut glassware and glassware, n.o.p.	10 p.c.	30 p.c.	30 p.c.	15 p.c.	30 p.c.	32½ p.c.
326b	Manufactures of glass, n.o.p.	10 p.c.	20 p.c.	20 p.c.	15 p.c.	20 p.c.	22½ p.c.
327	(c) Collapsible tubes of lead or tin or lead coated with tin.	10 p.c.	27½ p.c.	27½ p.c.	20 p.c.	27½ p.c.	30 p.c.
327a	Britannia metal, nickel silver, Nevada and German silver, manufactures of, not plated, n.o.p.	15 p.c.	35 p.c.	35 p.c.	25 p.c.	35 p.c.	40 p.c.
327b	Articles consisting wholly or in part of sterling or other silverware, n.o.p.; manufactures of gold or silver, n.o.p.	20 p.c.	37½ p.c.	37½ p.c.	30 p.c.	37½ p.c.	45 p.c.
328	(d) Clocks, time tellers, clock movements, clockwork mechanisms, and clock cases. Provided, that when imported under the Intermediate or the General Tariff, the duty shall not be less than each	15 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
329	Parts of clock movements or of clockwork mechanisms, finished or unfinished, not including plates.	10 p.c.	25 p.c.	25 p.c.	15 p.c.	25 p.c.	25 p.c.
329a	Wrought iron in the form of billets, bars, rods, sheets, strips, plates or skelp.	Free	20 p.c.	30 p.c.	\$2.50 (15 p.c.)	\$4.50 (15 p.c.)	\$4.50 (15 p.c.)
329b	Bars or rods, of iron or steel, hot rolled, viz.—Rounds over 4½ inches in diameter and squares over 4 inches per ton	Free	\$7.00	\$7.00	\$4.25	\$7.00	\$7.00
329c	Bars and rods, of iron or steel; billets, of iron or steel, weighing less than 60 pounds per lineal yard.—	10 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
329d	(b) Not further processed than hammered or pressed, n.o.p.	10 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
329e	(c) Cold rolled, drawn, reeled, turned or ground, n.o.p.	5 p.c.	25 p.c.	30 p.c.	10 p.c.	25 p.c.	30 p.c.
329f	Plates of iron or steel, hot or cold rolled:—	5 p.c.	15 p.c.	15 p.c.	7½ p.c.	15 p.c.	15 p.c.
329g	(a) Flanged, dish or curved, n.o.p.	\$3.00	\$8.00	\$8.00	\$4.00	\$8.00	\$8.00
329h	(b) Hot rolled, .080 inch or less in thickness, n.o.p.	12½ p.c.	27½ p.c.	27½ p.c.	15 p.c.	27½ p.c.	30 p.c.
329i	(c) Cold rolled or cold drawn, more than .080 inch in thickness, n.o.p.	5 p.c.	12½ p.c.	12½ p.c.	7½ p.c.	12½ p.c.	15 p.c.
329j	(d) Coated with metal or metals, n.o.p.	5 p.c.	12½ p.c.	12½ p.c.	7½ p.c.	12½ p.c.	15 p.c.
329k	(e) Coated with paint, tar, asphaltum or otherwise coated, n.o.p.	10 p.c.	20 p.c.	20 p.c.	15 p.c.	20 p.c.	25 p.c.
329l	(f) Coated with vitreous enamel, n.o.p.	10 p.c.	20 p.c.	20 p.c.	15 p.c.	20 p.c.	25 p.c.
329m	(g) Corrugated, coated or not.	Free	12½ p.c.	12½ p.c.	5 p.c.	12½ p.c.	15 p.c.
329n	(h) Sheets, plates, hoop, band or strip, of iron or steel, hot rolled, valued at not less than five cents per sheet, n.o.p.	Free	12½ p.c.	12½ p.c.	5 p.c.	12½ p.c.	15 p.c.

Tariff Item	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
386	—					
	Sheets, plates, hoop, band or strip, of iron or steel, as hereunder defined, under regulations prescribed by Minister:— (h) Sheets, plates, hoop, band or strip, hardened, tempered or ground, not further manufactured than cut to shape, without indented edges, when imported by manufacturers of saws for use exclusively in the manufacture of saws, in their own factories.....	10 p.c.	12½ p.c.	5 p.c.	10 p.c.	12½ p.c.
388d	Iron or steel angles, beams, channels, columns, girders, joists, piling, tees, zebs and other shapes or sections, punched, drilled or further manufactured than hot rolled or cast, n.o.p.....	35 p.c.	40 p.c.	25 p.c.	35 p.c.	40 p.c.
392	Forgings of iron or steel, in any degree of manufacture, n.o.p.....	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
392a	Forgings of iron or steel, in any degree of manufacture, hollow, machined or not, not less than 12 inches in internal diameter; and all other forgings, solid or otherwise, in any degree of manufacture, of a weight of 20 tons or over.....	27½ p.c.	30 p.c.	{ 20 p.c. Free	27½ p.c. 30 p.c.	30 p.c. 30 p.c.
394	Axles and axle bars, n.o.p., and axle blanks, and parts thereof, of iron or steel:— (a) For railway vehicles, including locomotives and tenders.....	27½ p.c.	30 p.c.	10 p.c.	27½ p.c.	30 p.c.
396	Pipe, cast, of iron or steel, valued at not more than five cents per pound.....	\$12.00 7½ p.c.	\$14.00 10 p.c.	\$7.00 5 p.c.	\$12.00 7½ p.c.	\$14.00 10 p.c.
396a	Pipe, cast, of iron or steel, n.o.p.....					
397	Pipes and tubes, of wrought iron or steel, plain or coated:— (d) N.o.p.....	27½ p.c.	30 p.c.	15 p.c.	27½ p.c.	30 p.c.
398a	Pipes and tubes of iron or steel, seamless, cold drawn, plain ends, polished, valued at not less than five cents per pound; steel tubes, welded or seamless, more than 10½ inches in diameter, with plain ends, when imported for use exclusively in the manufacture or repair of rolls for paper-making machinery.....	20 p.c.	30 p.c.	{ 10 p.c. Free	15 p.c. 20 p.c.	20 p.c. 30 p.c.
402a	Woven or welded wire fencing, of iron or steel, coated or not, n.o.p.; wire cloth or wire netting, of iron or steel, coated or not.....	35 p.c.	35 p.c.	25 p.c.	35 p.c.	35 p.c.

40 ^b	Woven netting, of iron or steel, coated, made from wire of 17 gauge or heavier, with meshes not smaller than one inch and not larger than two inches, with specially strengthened joints, when for use exclusively on fur farms, under regulations prescribed by the Veterinary	12½ p.c.	27½ p.c.	30 p.c.	15 p.c.	27½ p.c.	30 p.c.
40 ^a	Chains, of iron or steel, n.o.p., and complete parts thereof	15 p.c.	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
410 ^a	Machinery and apparatus for use exclusively in washing or dry-cleaning coal at coal mines or coke plants; machinery and apparatus for use exclusively in producing coke and gas; machinery and apparatus for use exclusively in the distillation or recovery of products from coal tar or gas; and complete parts of all the foregoing, not to include motive power, tanks for gas, nor pipes and valves 10½ inches or less in diameter	Free	10 p.c.	12½ p.c.	7½ p.c.	10 p.c.	12½ p.c.
410 ^b	Large crusher, rock crushers, stamp mills, grinding mills, rock drills, percussion coal cutters, coal augers, rotary coal drills, n.o.p., and complete parts of all the foregoing, for use exclusively in mining, metallurgical or quarrying operations	5 p.c.	20 p.c.	25 p.c.	7½ p.c.	20 p.c.	25 p.c.
410 ^c	Blowers, of iron or steel, n.o.p., for use in the smelting of ores, or in reduction, separation or refining of metals, ores or minerals; rotary kilns, revolving roasters and furnaces of metal, n.o.p., for use in the roasting of ore, mineral, rock or clay; furnace slag trucks and slag pots, n.o.p.; and integral parts of all the foregoing	12½ p.c.	17½ p.c.	20 p.c.	15 p.c.	17½ p.c.	20 p.c.
410 ^d	Machinery and apparatus, n.o.p., and complete parts thereof, for the recovery of solid or liquid particles from flue or other waste gases at metallurgical or industrial plants, not to include motive power, tanks for gas, nor pipes and valves 10½ inches or less in diameter	5 p.c.	10 p.c.	12½ p.c.	7½ p.c.	10 p.c.	12½ p.c.
414 ^c	Adding, bookkeeping, calculating and invoicing machines and complete parts thereof, n.o.p.	Free	20 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
415	Electric vacuum cleaners and attachments therefor; hand vacuum cleaners; and complete parts of all the foregoing, including suction hose, n.o.p.	5 p.c.	20 p.c.	25 p.c.	12½ p.c.	20 p.c.	25 p.c.
415 ^d	Sewing machines, with or without motive power incorporated therein; complete parts of sewing machines	5 p.c.	15 p.c.	25 p.c.	10 p.c.	15 p.c.	25 p.c.
422	Street or road rollers and complete parts thereof	Free	30 p.c.	30 p.c.	10 p.c.	30 p.c.	30 p.c.
425	Lawn mowers	10 p.c.	30 p.c.	32½ p.c.	20 p.c.	30 p.c.	32½ p.c.
427 ^b	Ball and roller bearings	Free	27½ p.c.	35 p.c.	5 p.c.	27½ p.c.	35 p.c.

Tariff Item	British Preferential Tariff	Inter-mediate Tariff	General Tariff	Present Rates		
				B. P. Tariff	Intermediate Tariff	General Tariff
427h	Motion picture projectors, are lamps for motion picture work, motion picture or theatrical spot lights, light effect machines, motion picture screens, portable motion picture projectors complete with sound equipment; complete parts of all the foregoing, not to include electric light bulbs, tubes, or exciter lamps.	Free	35 p.c.	10 p.c.	27½ p.c.	35 p.c.
430	Nuts and bolts with or without threads, washers, rivets, of iron or steel, coated or not, n.o.p.; nut and bolt blanks, of iron or steel per one hundred pounds	25 cts. 7½ p.c.	75 cts. 25 p.c.	50 cts. 10 p.c.	50 cts. 20 p.c.	75 cts. 25 p.c.
430a	Hinges and butts, of iron or steel, coated or not, n.o.p.; hinge and butt blanks, of iron or steel. per one hundred pounds and	75 cts. 5 p.c.	75 cts. 30 p.c.	75 cts. 10 p.c.	75 cts. 27½ p.c.	75 cts. 30 p.c.
431f	Files and rasps.	Free	35 p.c.	10 p.c.	35 p.c.	35 p.c.
431g	Fixed or stationary meters, of a size or capacity not made in Canada, for hydraulic engineering; gauges, indicators and recorders for water or other liquid levels, volume or flow, of a class or kind not made in Canada.	Free	35 p.c.	{ 20 p.c. 10 p.c. Free 15 p.c. 20 p.c.	{ 27½ p.c. 27½ p.c. 27½ p.c. 25 p.c. 27½ p.c.	{ 30 p.c. 35 p.c. 35 p.c. 30 p.c. 30 p.c.
432	Hollow-ware, of iron or steel, coated or not, n.o.p.	10 p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
432a	Kitchen and dairy hollow-ware of iron or steel, coated with tin, including cans for shipping milk or cream, not painted, japanned or decorated.	15 p.c.	30 p.c.	22½ p.c.	32½ p.c.	35 p.c.
432b	Hollow-ware, of iron or steel, coated with vitreous enamel.	17½ p.c.	35 p.c.	20 p.c.	27½ p.c.	30 p.c.
432d	Manufactures of tinplate, painted, japanned, decorated or not, and manufactures of tin, n.o.p.	15 p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
433	Baths, bathtubs, basins, closets, lavatories, urinals, sinks, and laundry tubs of iron or steel, coated or not.	5 p.c.	35 p.c.	10 p.c.	25 p.c.	35 p.c.
434a	Motor rail cars or units for use on railways, and chassis for same; complete parts of the foregoing.	Free	35 p.c.	{ 15 p.c. Free	30 p.c. 30 p.c.	{ 35 p.c. 35 p.c.
434b	Steel wheels for use on railway rolling stock.	7½ p.c.	35 p.c.	{ 7½ p.c. 15 p.c.	30 p.c. 27½ p.c.	{ 35 p.c. 30 p.c.

438a	Automobiles and motor vehicles of all kinds, n.o.p.; electric trackless trolley buses; chassis for all the foregoing.	Free	17½ p.c.	27½ p.c.	{Free 15 p.c. 15 p.c.	17½ p.c. 27½ p.c. 25 p.c.	2½ p.c. 30 p.c. 25 p.c.
439f	Provided, that machines or other articles mounted on the foregoing or attached thereto for purposes other than loading or unloading the vehicle shall be valued separately and duty assessed under the tariff rates to which applicable thereto.						
440f	Children's carriages, sleds and other vehicles; complete parts of all the foregoing.	15 p.c.	30 p.c.	35 p.c.	22½ p.c.	30 p.c.	35 p.c.
440n	Engines and engine parts thereof, when imported for use only in the equipment of aircraft.	Free	25 p.c.	27½ p.c.	10 p.c.	25 p.c.	27½ p.c.
445f	Electric dynamos or generators and transformers, and complete parts thereof, n.o.p.	15 p.c.	33½ p.c.	37½ p.c.	25 p.c.	33½ p.c.	37½ p.c.
445g	Electric motor and complete parts thereof, n.o.p.	15 p.c.	33½ p.c.	37½ p.c.	25 p.c.	33½ p.c.	37½ p.c.
445h	Electrical instruments and apparatus of precision of a class or kind not made in Canada, viz.— meters or gauges for indicating and/or recording electric, magnetic, comparison, capacity, density, weight, volume, resistance, flux, force, frequency, humidity, inductance, liquid levels, ohms, operation, power factor, pressure, space, speed, stress, synchronous temperature, time, volts, volume, weight; complete parts thereof.	Free	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
446f	All these articles when reinforced with wire mesh.	Free	25 p.c.	35 p.c.	10 p.c.	27½ p.c.	35 p.c.
446g	Electric welding apparatus, not including motors.	10 p.c.	25 p.c.	30 p.c.	{15 p.c. 15 p.c. 10 p.c.	25 p.c. 27½ p.c. 25 p.c.	30 p.c. 30 p.c. 35 p.c.
451	Buckles, clasps, eyelets, hooks and eyes, dome, snap or other fasteners of iron, steel, brass or other metal, coated or not, n.o.p. (not being jewellery).	15 p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
451a	(i) Spring-beard needles and latch needles.	10 p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
451b	(ii) Needles, of any material or kind, n.o.p.	10 p.c.	30 p.c.	35 p.c.	15 p.c.	30 p.c.	35 p.c.
451c	Pins manufactured from wire of any metal, n.o.p.	17½ p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
462	Philosophical, photographic, mathematical and optical instruments, n.o.p.; speedometers, cyclometers and pedometers, n.o.p.; complete parts of all the foregoing.	7½ p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
465	Sizes of any material other than paper, framed or not; letters and numerals of any material other than paper.						
469	Machines and clothing.	10 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
511b	Fishing rods.	10 p.c.	25 p.c.	25 p.c.	15 p.c.	25 p.c.	30 p.c.
512	Picture frames and photograph frames, of any material.	Free	30 p.c.	35 p.c.	20 p.c.	30 p.c.	35 p.c.
518	Billiard tables, with or without pockets, and baggards and other accessories or boards, cues, balls, and racks and equipment.	17½ p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
		17½ p.c.	30 p.c.	35 p.c.	22½ p.c.	30 p.c.	35 p.c.

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	(General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
519	House, office, cabinet or store furniture of wood, iron or other material, in parts or finished.....	15 p.c.	30 p.c.	45 p.c.	20 p.c.	30 p.c.	45 p.c.
523b	Woven fabrics, wholly of cotton, printed, dyed or coloured, n.o.p.....	20 p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	22½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.
22j	Shadow cretonnes, wholly of cotton, with printed warp and plain weft.....	12½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	22½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.
523k	Gabarlines, wholly of cotton, with not less than 280 ends and picks of ply yarn per square inch.....	12½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	22½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.
523l	Woven fabrics, wholly of cotton, composed of yarns of counts of not less than 80 and not more than 99, including all such fabrics in which the average count of the warp and weft yarns is not less than 80 and not more than 99.....	12½ p.c.	27½ p.c. 3½ cts.	32½ p.c. 4 cts.	(15 p.c. 20 p.c. (22½ p.c.	20 p.c. 22½ p.c. 27½ p.c. and, in each instance, 3½ cts.	25 p.c. 27½ p.c. 32½ p.c. 4 cts.
524a	Fabrics with cut weft pile, wholly of cotton or of cotton and artificial silk.....	5 p.c.	.....	.....	(15 p.c. (30 p.c.	.....	.....
532a	Handkerchiefs, wholly of cotton.....	15 p.c.	30 p.c.	35 p.c.	25 p.c.	30 p.c.	35 p.c.
532b	Woven fabric, wholly of cotton, for covering books.....	15 p.c.	1½ cts. 30 p.c.	4 cts. 35 p.c.	.....	1½ cts. 30 p.c.	4 cts. 35 p.c.
537a	Rovings, yarns and warps wholly or in part of vegetable fibres, including yarn twist, cords and twines generally used for packaging and other purposes, n.o.p., not to contain silk, artificial silk nor wool.....	.....	1½ cts.	4 cts.	25 p.c.	1½ cts.	4 cts.
537e	Rovings, yarns and warps wholly of jute, including yarn twist, cords and twines generally used for packaging and other purposes, n.o.p.....	17½ p.c.	22½ p.c.	25 p.c.	20 p.c.	22½ p.c.	25 p.c.
539	Cordage, exceeding one inch in circumference, wholly of vegetable fibres, n.o.p.....	25 p.c.	30 p.c.	32½ p.c.	27½ p.c.	30 p.c.	32½ p.c.
542a	Woven or braided fabrics not exceeding twelve inches in width, wholly or in part of vegetable fibres, n.o.p., not to contain silk, artificial silk nor wool.....	17½ p.c.	22½ p.c.	25 p.c.	20 p.c.	22½ p.c.	25 p.c.
542b	Linen fire-hose, lined or unlined.....	22½ p.c.	27½ p.c.	35 p.c.	25 p.c.	27½ p.c.	35 p.c.
548	Clothing, wearing apparel and articles, made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in	15 p.c.	32½ p.c.	35 p.c.	25 p.c.	32½ p.c.	35 p.c.

part of vegetable fibres but not containing wool, n.o.p.; fabrics, coated or impregnated, composed wholly or in part of vegetable fibres but not containing silk, artificial silk nor wool, n.o.p. and, per pound	25 p.c.	30 p.c. 1½ cts.	35 p.c. 4 cts.	25 p.c. 3 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.
Woven dress linens containing not more than 15 p.c. by weight of cotton yarns for decorative effect. and, per pound	Free	30 p.c. 3½ cts.	35 p.c. 4 cts.	25 p.c. 3 cts.	30 p.c. 3½ cts.	35 p.c. 4 cts.
Haircloth, composed of horse hair in combination with any vegetable fibre.	17½ p.c.	27½ p.c.	30 p.c.	20 p.c.	27½ p.c.	30 p.c.
Yarns, composed wholly or in part of wool or hair but not containing silk or artificial silk, n.o.p. and, per pound	15 p.c. 6 cts.	20 p.c. 20 cts.	22½ p.c. 22½ cts.	15 p.c. 11½ cts.	20 p.c. 20 cts.	22½ p.c. 22½ cts.
Yarns and warps composed wholly of wool or in part of wool or hair, imported by manufacturers for use exclusively in their own factories, n.o.p. and, per pound	10 p.c. 5 cts.	17½ p.c. 15 cts.	20 p.c. 17½ cts.	10 p.c. 7½ cts.	17½ p.c. 15 cts.	20 p.c. 17½ cts.
Felt, pressed, of all kinds, in the web, not consisting of or in combination with any woven, knitted or other fabric or material. and, per pound	15 p.c. 5 cts.	22½ p.c. 17½ cts.	25 p.c. 20 cts.	15 p.c. 7½ cts.	22½ p.c. 17½ cts.	25 p.c. 20 cts.
Blankets of any material, not to include automobile rugs, steamer rugs, or similar articles. and, per pound	20 p.c. 5 cts.	30 p.c. 25 cts.	35 p.c. 30 cts.	22½ p.c. 10 cts.	30 p.c. 25 cts.	35 p.c. 30 cts.
Woven fabrics, composed wholly or in chief part by weight of yarns of wool or hair, not exceeding in weight six ounces to the square yard, n.o.p., when imported in the gray or unfinished condition, for the purpose of being dyed or finished in Canada. and, per pound	17½ p.c. 7½ cts.	25 p.c. 17½ cts.	30 p.c. 20 cts.	20 p.c. 9½ cts.	25 p.c. 17½ cts.	30 p.c. 20 cts.
Woven fabrics, composed wholly or in part of yarns of wool or hair, n.o.p. and, per pound	22½ p.c. 12 cts.	35 p.c. 30 cts.	40 p.c. 35 cts.	27½ p.c. 17 cts.	35 p.c. 30 cts.	40 p.c. 35 cts.
Provided, however, that the sum of the specific and ad valorem duties imposed by this item on imports under the British Preferential Tariff shall not be in excess of 50 cents per pound.	20 p.c.	35 p.c. 30 cts.	40 p.c. 35 cts.	27½ p.c. 17 cts.	35 p.c. 30 cts.	40 p.c. 35 cts.
Filter press cloth of wool. and, per pound	30 p.c.	40 p.c. 32½ cts.	40 p.c. 35 cts.	30 p.c. 18½ cts.	40 p.c. 32½ cts.	40 p.c. 35 cts.
Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactures, wholly or partially manufactured, composed wholly or in part of wool or similar animal fibres, but of which the component of chief value is not silk nor artificial silk, n.o.p.; fabrics, coated or impregnated, composed wholly or in part of yarns of wool or hair, but not containing silk nor artificial silk, n.o.p. and, per pound	30 p.c.	40 p.c. 32½ cts.	40 p.c. 35 cts.	30 p.c. 18½ cts.	40 p.c. 32½ cts.	40 p.c. 35 cts.

Tariff Item	General Tariff	Intermediate Tariff	British Preferential Tariff	Intermediate Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
557b	Garnetted material wholly of silk, artificial silk or similar synthetic fibres, produced by chemical processes, obtained by disintegrating cocoons, yarns or fabrics, prepared for use; filaments or loose fibres wholly of silk, artificial silk or similar synthetic fibres produced by chemical processes, not more advanced than in the form of sliver; waste portions of unused fabrics, wholly of silk, artificial silk or similar synthetic fibres, n.o.p., not to include remnants nor mill ends.....	7½ p.c.	Free	7½ p.c.	5 p.c.	7½ p.c.	10 p.c.
558c	(i) Rovings, yarns and warps, wholly or in part of silk, n.o.p., including threads, cords or twist for sewing, embroidering or other purposes.....	22½ p.c.	15 p.c.	22½ p.c.	17½ p.c.	22½ p.c.	25 p.c.
560a	Woven fabrics wholly or in part of silk, not to contain wool, not including fabrics in chief part by weight of artificial silk, n.o.p.....	40 p.c. 10 cts.	22½ p.c.	40 p.c. 10 cts.	27½ p.c.	40 p.c. 10 cts.	45 p.c. 10 cts.
561	Woven fabrics wholly or in part of artificial silk or similar synthetic fibres, produced by chemical processes, not to contain wool, not including fabrics in chief part by weight of silk, n.o.p.....	40 p.c. 40 cts.	27½ p.c.	40 p.c. 40 cts.	30 p.c.	40 p.c. 40 cts.	45 p.c. 40 cts.
565	Embroideries, lace, braids, cords, chenille, gimp, fringes and tassels, whether containing tinsel or not, nets, nettings and bobinet, n.o.p.....	32½ p.c.	22½ p.c.	32½ p.c.	25 p.c.	32½ p.c.	35 p.c.
566	Plaited or braided lines and cords, non-elastic, whether of tubular or of solid construction, not exceeding one inch in circumference, wholly or in chief part by weight of vegetable fibres.....	35 p.c. 25 cts.	17½ p.c.	32½ p.c.	25 p.c.	32½ p.c.	35 p.c.
568	Knitted garments, knitted underwear and knitted goods, n.o.p.....	35 p.c. 30 cts.	20 p.c.	35 p.c. 30 cts.	25 p.c.	35 p.c. 25 cts.	45 p.c. 30 cts.
568a	Socks and stockings:— (i) of wool.....	35 p.c. \$1.50	20 p.c.	35 p.c. \$1.50	30 p.c.	32½ p.c. \$1.35	35 p.c. \$1.50
568b	(ii) n.o.p.....	35 p.c. \$1.50	20 p.c.	35 p.c. \$1.50	30 p.c.	32½ p.c. \$1.35	35 p.c. \$1.50
572	Gloves and mitts of all kinds, n.o.p.....	25 p.c.	20 p.c.	25 p.c.	25 p.c.	25 p.c.	45 p.c.
573	Oriental and imitation oriental rugs or carpets and carpeting, carpets and rugs, n.o.p.....	35 p.c. 15 cts.	30 p.c.	35 p.c. 15 cts.	30 p.c. plus either 3 cts. or 5 cts.	35 p.c. 15 cts.	40 p.c. 20 cts.
573	Embossed carriage, floor, shelf and table oilcloth, linoleum, and cork matting or carpets.....	35 p.c. 4 cts.	15 p.c.	32½ p.c.	25 p.c.	32½ p.c.	35 p.c. 4 cts.

578	Regalia, badges and belts of all kinds, n.o.p.	22½ p.c.	30 p.c.	45 p.c.	27½ p.c.	15 p.c.
579	Musical instruments of all kinds, n.o.p. : phonographs, gramophones, and mechanical piano and organ players	15 p.c.	5½ p.c.	30 p.c.	20 p.c.	20 p.c.
	Belted leather in butts or bands; and all leather	7½ p.c.	27½ p.c.	27½ p.c.	12½ p.c.	27½ p.c.
	Crust oil leather, for use in manufacturing chamois leather	Free	27½ p.c.	27½ p.c.	12½ p.c.	27½ p.c.
607	Leather, when imported by manufacturers of gloves or leather clothing, for use exclusively in manufacturing gloves or leather clothing, in their own leather	Free	7½ p.c.	10 p.c.	5 p.c.	10 p.c.
	Leather, not further finished than tanned, and skins, n.o.p.	5 p.c.	17½ p.c.	20 p.c.	10 p.c.	20 p.c.
610	Belted, n.o.p.	15 p.c.	27½ p.c.	27½ p.c.	20 p.c.	27½ p.c.
611	Belted of camel's hair, for machinery	7½ p.c.	27½ p.c.	27½ p.c.	15 p.c.	27½ p.c.
612	Boots, shoes, slippers and insoles of any material, n.o.p.	22½ p.c.	55 p.c.	40 p.c.	25 p.c.	40 p.c.
	India-rubber clothing and clothing made from waterproofed cotton fabrics	10 p.c.	27½ p.c.	30 p.c.	17½ p.c.	30 p.c.
	And in addition, on raincoats	25 p.c.	30 p.c.	35 p.c.	25 p.c.	35 p.c.
	Trunks, valises, hat boxes, carpet bags, tool bags, and baskets of all kinds, n.o.p. each	15 p.c.	40 p.c.	40 p.c.	20 p.c.	40 p.c.
62	Musical instrument cases and fancy cases or boxes of all kinds, portfolios and fancy writing desks, satchels, reticules, card cases, purses, pocket-books, fly books and parts thereof	15 p.c.	40 p.c.	40 p.c.	20 p.c.	40 p.c.
624	(i) Dolls; toys of all kinds, n.o.p.	10 p.c.	30 p.c.	40 p.c.	20 p.c.	40 p.c.
625	Statues and statuettes of porcelain or earthenware	Free	27½ p.c.	30 p.c.	20 p.c.	30 p.c.
626	Braces or suspenders, and finished parts thereof	15 p.c.	30 p.c.	35 p.c.	22½ p.c.	35 p.c.
627	Jewellery of any material, for the adornment of the person, n.o.p.	25 p.c.	37½ p.c.	45 p.c.	30 p.c.	45 p.c.
	Brushes of all kinds	15 p.c.	30 p.c.	40 p.c.	17½ p.c.	40 p.c.
	Pens, penholders and rulers, of all kinds	12½ p.c.	25 p.c.	27½ p.c.	15 p.c.	35 p.c.
634	Tobacco pipes of all kinds, pipe mounts, cigar and cigarette cases, cigar and cigarette holders, and cases for the same, smokers' sets and cases thereof, and pipe cases	17½ p.c.	32½ p.c.	35 p.c.	22½ p.c.	35 p.c.
635	Film of standard width (one and one-eighth of an inch and over) when imported for the sole purpose of being used in the production of cinematograph films and provided that the original is re-exported within three months from date of importation	Free	3 cts.	3 cts.	1½ cts.	3 cts.
636	Iodised mineral salts, for use exclusively in the treatment of diseases	15 p.c.	27½ p.c.	30 p.c.	20 p.c.	30 p.c.
637	Free	Free	25 p.c.	25 p.c.	15 p.c.	25 p.c.

Tariff Item	—	British Preferential Tariff	Intermediate Tariff	General Tariff	Present Rates		
					B. P. Tariff	Intermediate Tariff	General Tariff
670	Grinding wheels, stones or blocks, manufactured by the bonding together of either natural or artificial abrasives; manufactures of emery or of artificial abrasives, n.o.p.....	10 p.c.	25 p.c.	30 p.c.	15 p.c.	25 p.c.	30 p.c.
710	Coverings, inside and outside, used in covering or holding goods imported therewith, shall be subject to the following provisions, viz:— (b) Usual coverings containing goods, not machinery, subject to any ad valorem duty, when not included in the invoice value of the goods they contain..... (bb) Usual coverings containing machinery subject to any ad valorem duty, when not included in the invoice value of the goods they contain..	10 p.c. 5 p.c.	20 p.c. 15 p.c.	20 p.c. 20 p.c.	15 p.c. 7½ p.c.	20 p.c. 15 p.c.	20 p.c. 20 p.c.

4. Resolved, That Schedule B to the Customs Tariff be amended by striking thereout tariff items 1060 and 1063, the enumerations of goods and the rates of drawback of customs duties

set opposite to each of the said items, and by inserting the following items, enumerations and rates of drawback of customs duties in said schedule B:—

Item No.	Goods	When Subject to Drawback	Portion of Duty (not including Special Duty or Dumping Duty) Payable as Drawback
1060	Paper of all kinds.....	When used by the publisher or printer in Canada in the production of periodical publications enjoying second-class mailing privileges, the pages of which are regularly bound, wire-stitched or otherwise fastened together.....	75 p.c.
1063	Materials, including all parts...	When used in the production of engines for use exclusively in the equipment of aircraft.....	60 p.c.

5. Resolved, That any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the twenty-sixth day of February, one thousand nine hundred and thirty-seven, and to have applied to all goods

mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

44-1-1
622
HJ
12
425
4938

(CANADA)

BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. ^{very}DUNNING

MINISTER OF FINANCE

MEMBER FOR QUEENS, PRINCE EDWARD ISLAND

IN THE

HOUSE OF COMMONS

JUNE 16, 1938



OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1445

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BUDGET SPEECH

DELIVERED BY

HON. CHAS. A. DUNNING, M.P.

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, THURSDAY, JUNE 16, 1938

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE
MINISTER OF FINANCE

Hon. CHARLES A. DUNNING (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, the year which it now falls to my lot to review has been an eventful, indeed a dramatic, one. In the budget speech of last year I stressed the extent to which continued economic progress for Canada as for other countries depended upon the preservation of peace and the lessening of international friction. But in February, 1937, there were few who were bold enough to predict the sudden and, in some countries, drastic reversal of world economic trends which began last autumn, and fewer still, at that time, who could possibly foresee the astounding series of crises and near-crises in international political relations which the ensuing twelve months were to bring. Yet these things have come to pass. A new major war has embroiled the Asiatic continent and in Europe we have had a succession of incidents which at times have strained the fabric of peace almost to the breaking point. In the last four months of 1937, our nearest neighbour experienced a decline in business activity more drastic than that which followed the collapse of 1929. World production, trade and prices have also declined but less rapidly than in the United

ber a moderate decline set in and by April, the index of the physical volume of business in Canada was about 9 per cent below that for April, 1937. The low point, however, was reached in February and since that time the Canadian index has risen by 5.3 per cent. In the United Kingdom, the index of business activity compiled by the London Economist rose slightly over 2 per cent from March to August, 1937, and began falling in November to a point in April 6 per cent below the level of April, 1937. In the United States, industrial production fell slightly from March to August, 1937, then dropped sharply by 25 per cent between August and November, and by April of this year was 35 per cent below the level of April, 1937. In neither of these two countries which constitute the most important markets for Canadian products has there been in recent months any tendency to that reversal of the downward trend of the business curve which has been evident in Canada since February. World industrial production which apparently reached a peak in the first quarter of 1937, and maintained a fairly horizontal trend until August, has been declining for the last eight or nine months, the New York Annalist's world index for March, 1938, being 17 per cent below the level of March, 1937. According to the League of Nations, the physical quantum of world trade was 12 per cent less in the first quarter of 1938 than in the last quarter of 1937, and in most of the leading countries the level of wholesale prices has fallen 5 to 10 per cent from the high point reached in 1937.

I

REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS

Functioning under the shadow of these disturbing world events, the Canadian economy, nevertheless, has given a good account of itself. The recovery movement which had been under way for some time continued with surprising vigour almost to the end of 1937. The physical volume of business which is our most comprehensive measure of current economic activity expanded by 4 per cent from March to August and by nearly 4 per cent additional between August and November. In Decem-

Wheat Crop, 1937

The lag between the downward trend in Canada and that in other important countries is all the more remarkable when we recall that as early as last June or July it became apparent that drought conditions on the western prairies were to produce a wheat crop failure of a magnitude which a few years ago would have rendered our then less diversified economy almost prostrate. Last year Canada harvested only 182,000,000 bushels of wheat, barely 50 per cent of the average of the previous ten years, and the smallest crop since 1914. In 1914 we pro-

duced 90 per cent of last year's total from an acreage which was only about 40 per cent of the acreage seeded last year. The havoc wrought by this plague of drought reached its extreme in Saskatchewan where only 37,000,000 bushels were harvested from an acreage of almost the same size which in 1928 had produced a crop of 321,000,000 bushels.

I need not discuss the effect of this disaster on the purchasing power of western Canada—it is self evident—but I shall have occasion later to indicate what it meant to governmental expenditures. Fortunately, agricultural conditions in other parts of Canada and in respect to other farm products were more favourable and preliminary estimates show a net value of all agricultural production aggregating \$681,000,000 in 1937, only \$9,000,000 less than in 1936 and higher than in any other year since 1930. I recognize, Mr. Speaker, that he who ventures to make a crop forecast in the middle of June must take his courage in his hands, but I think we can safely say this much—that by and large in the wheat-growing area crop conditions at this stage are better than at any time since 1932, that in the southern drought triangle the improvement in moisture conditions has been substantial although current rains are needed in certain other areas, that the increased planting of Thatcher wheat gives a more effective insurance against rust than we have ever had before, and that the adequate preparations being made by the prairie provinces to deal with the somewhat less intense but perhaps more widespread infestation of grasshoppers should assure that losses on this account will be minimized. In other words, although we are only at the beginning of the critical period for the wheat crop, we may agree that there appears to be a sounder basis, than at any time in the last ten years, for that buoyant optimism which is again evident on the western prairies. Even with a lower world level of wheat prices, a good wheat crop would in my opinion do more than any other single factor to revitalize our whole economic life, to establish confidence and to restore a more normal balance between east and west.

Sound Internal Conditions

It was inevitable that a wheat crop failure to the extent of our 1937 experience would exercise a depressing influence on Canadian business. Apart altogether from the effect of external factors reduced purchases by the farming community of consumable goods and of farm implements, reduced volume of freight traffic on our railroads, the reduced volume of wheat and flour for export and the unfavourable reaction on business

psychology would in any case have caused some slowing up in our rate of progress. But the timing and nature of the slowing up of business in this country indicate that external factors were of predominant importance. Certainly it would be difficult to discover any evidence of lack of balance or other unsoundness in our internal situation which in itself would have caused a set-back. In spite of a prolonged, consistent and indeed a rapid recovery, Canadian industry and trade had expanded and developed on a rational, well-balanced basis, the tendency for speculative activity to get out of hand had been curbed at an early stage, the normal equilibrium between various prices and items of cost was being gradually restored, and there was no evidence of any undue piling up of excess inventories, except perhaps in the newsprint industry which again is so dependent upon foreign markets. A critical examination of all the major factors leads me to the firm conviction that, had it not been for economic depression and political tension abroad, Canadian business would have continued its upward trend with only a moderate slackening in its rate of advance.

Trade of Canada

The influence of these external factors may best be seen in the statistics of our foreign trade, particularly of our exports. Export trade is the chief medium through which changes in economic conditions in other countries affect the Canadian economy. Up to August last business conditions throughout most of the world had been improving and the world price level had been rising. These favourable external conditions, coupled with the efforts which this government had made to widen export markets for Canadian products, had resulted in a steady expansion of our exports which had been the principal factor generating a steady increase in the national income of this country during the last few years. This expansion was particularly rapid during 1936 and the first nine months of 1937. Since that time, however, the business depression in the United States, the more moderate recession in the United Kingdom and several other countries, the pronounced fall in the world prices of many raw materials and the small Canadian wheat crop, have had their inevitable effect, a smaller total value of Canadian commodity exports each month than in the corresponding month of the preceding year. There have, however, been certain counteracting factors and the surprising thing is that the decreases in the latter part of the fiscal year were not sufficient to offset the gains made in the early months of the year.

Thus for the 12-month period ending March 31, 1938, our aggregate external trade was within \$54,000,000 of the two billion dollar figure and was \$154,684,000 or 8.6 per cent above the total for the preceding fiscal year. Our total export trade aggregated \$1,148,000,000 or \$27,000,000 in excess of that for the year 1936-37. While our imports have been declining since January, they registered an increase for the full fiscal year of \$127,000,000 to a total of \$799,000,000.

In the figures given for our total export trade I have included all exports of gold, including \$22,000,000 of gold which has been

sold and paid for by foreign purchasers, although the gold is still physically held earmarked in the vaults of the Bank of Canada. I have also included shipments of gold coins which are classified as monetary gold in our trade returns but which in reality are commercial gold, having been shipped in substitution for a corresponding amount of gold bullion newly produced by our gold mines.

I now desire to place on Hansard a table showing the comparative figures for imports, exports and total trade during each of the last two fiscal years:

TRADE OF CANADA

	Fiscal year ended		Increase (+) or Decrease (—)
	Mar. 31, 1937	Mar. 31, 1938	
	\$	\$	\$
Imports.....	671,875,566	799,069,918	+127,194,352
Exports.....			
Merchandise (excluding gold).....	990,152,778	989,790,065	— 362,713
Commercial gold.....	84,091,442	95,031,139	+ 10,939,697
Gold coin.....	706,875	40,440,096	+ 39,733,221
Gold earmarked*	45,282,860	22,462,195	— 22,820,665
Total exports.....	1,120,233,955	1,147,723,495	+ 27,489,540
Total trade.....	1,792,109,521	1,946,793,413	+154,683,892

*Valued at \$35 per ounce.

An understanding of the course of our foreign trade during the past year and of its effect on the Canadian economy, however, must involve an analysis of the changing composition of our export trade as well as of changes occurring throughout the year in the direction of that trade. For instance, if we are to make a fair comparison of our exports during the last two years to particular countries, it is necessary to exclude gold

movements, changes in the direction of which are not primarily related to trade considerations. For this reason, in the tables which I now present showing comparative figures for the last two years of the trade of Canada with the United Kingdom and other commonwealth countries, and with the United States, the figures given do not include gold of any kind but relate solely to other merchandise transactions:

TRADE OF CANADA WITH THE COMMONWEALTH

(Merchandise—all gold excluded)

	Fiscal Year ended		Increase
	Mar. 31, 1937	Mar. 31, 1938	
	\$	\$	\$
Imports from United Kingdom.....	129,507,885	144,978,493	15,470,608
Exports to United Kingdom.....	406,825,443	407,797,610	972,167
Imports from other Commonwealth countries..	68,657,957	58,194,545	19,536,588
Exports to other Commonwealth countries.....	88,206,497	108,722,853	20,516,356
Imports—Total Commonwealth.....	198,165,842	233,173,038	35,007,196
Exports—Total Commonwealth.....	495,031,940	516,520,463	21,488,523
Total trade with Commonwealth.....	693,197,782	749,693,501	56,495,719

TRADE OF CANADA WITH THE UNITED STATES

(Merchandise—all gold excluded)

	Fiscal year ended		Increase (+) or Decrease (—)
	Mar. 31, 1937	Mar. 31, 1938	
	\$	\$	\$
Imports from the United States.....	393,720,662	487,328,980	+ 93,608,318
Exports to the United States.....	364,354,990	343,250,669	— 21,104,321
Total trade with the United States.....	758,075,652	830,579,649	+ 72,503,997

From these tables it will be noted that the United Kingdom purchased from us during the last fiscal year goods to the value of \$407,798,000. This is slightly in excess of 41 per cent of our total exports of merchandise, excluding gold. Exports to other commonwealth countries showed an appreciable improvement, the increase being 23 per cent, and the total volume \$108,700,000. Commonwealth countries as a whole, including the United Kingdom, took approximately 52 per cent of our total merchandise exports. Imports from all commonwealth countries increased during the past fiscal year by over 17 per cent, accounting for about 29 per cent of our total purchases from abroad. From the United Kingdom alone our purchases were \$15,000,000 greater than in the previous year and amounted to \$145,000,000. With the United States our total merchandise trade, again excluding gold movements, amounted to \$830,600,000, as compared with \$758,100,000 for the preceding fiscal year. Total exports to that country fell six per cent below the figure for the previous year to a total of \$343,300,000, while imports at \$487,300,000 showed an increase of nearly 24 per cent.

It is significant of the influence of business depression in the United States that during the first quarter of 1938, our exports to that country were only \$61,600,000. This is a decrease of 31 per cent from the first quarter of 1937 as compared with only a 6 per cent reduction for the year as a whole. Imports from the United States for the same three-month period totalled \$106,400,000, a decrease of about 3 per cent. During April, exports to the United States decreased by 21 per cent and imports from the United States by 14 per cent. An analysis of a few individual items will show more clearly the adverse effect of restricted United States demand on important Canadian industries. Thus, during the first four months of this year, exports of newsprint to the United States fell by 25 per cent, of wood pulp by 41 per cent, of planks and boards by 35 per cent, of nickel by 58 per cent, of live stock by 64 per cent, of hides by 77 per cent and of furs by 44 per cent. The comparison in each case is with the first four months of 1937.

Fortunately, economic conditions in other markets were not so depressed and important increases in exports to other markets of various types of products tended to offset these substantial declines in shipments to the United States. Thus, for instance, during the first four months of 1938, Canadian exports to the United Kingdom increased by 4 per cent as compared with the same period in 1937, while our exports to Australia and New Zealand increased by 35 per cent and to all empire countries by over 5 per cent. Similarly, if we take the exports of non-ferrous metals, other than gold, we find that during the first four months of 1938 total shipments to all countries were over 12 per cent in excess of those for the same period in the preceding year. Moreover, examination of exports of individual commodities to the British market for the last fiscal year as a whole shows such striking increases as 17 per cent in the case of bacon and hams, 33 per cent in the case of coarse grains, 86 per cent in the case of tobacco leaf, 49 per cent in the case of fresh and canned fruits and 27 per cent in the case of iron and steel products. As a result of these divergent trends in the trade with particular countries and in particular commodities, the reduction in our total merchandise exports during the first four months of this calendar year, when our economy was feeling the full brunt of the world depression, has been kept to what I regard as the very satisfactory figure of 9 per cent.

Before leaving this discussion of our export trade, it is essential to refer to an important decrease which is not the result of external influences. For the fiscal year ending March 31st last, our exports of wheat and wheat flour are down from the previous year by 43 per cent, the total amounting to only \$139,000,000 as compared with \$245,000,000 for the year 1936-37. This drastic decline reflects of course the failure of the western wheat crop, and with the small amount of wheat now in the country no improvement in this export can be expected until the new crop comes on to the market.

Canada's Balance of International Payments

From the figures I have given for total exports and total imports, it will have been noted that the balance of trade remained favourable to Canada during the fiscal year and amounted to \$348,000,000 as compared with \$448,000,000 during the preceding year. However, the calculations of our international balance of payments are made by the Dominion Bureau of Statistics on a calendar year rather than a fiscal year basis. For the calendar year 1937, their figures show a favourable merchandise balance of \$212,000,000. Gold exported or earmarked established a further credit of \$145,000,000. Visiting tourists are estimated to have spent no less than \$290,000,000 in Canada during 1937, which is an increase of 13 per cent over the amount expended in 1936. After deducting expenditures of Canadians abroad, there emerges a net credit of \$170,000,000 on account of the tourist trade which, by the way, it will be noted is substantially larger than the value of our total exports of wheat and flour during the fiscal year. Adding up these three items we get a total credit of \$527,000,000 which was sufficient to enable us to meet all of our foreign obligations on account of interest and dividends as well as various miscellaneous debits, and at the same time enabled us to pay off foreign indebtedness or repatriate Canadian securities held abroad to an estimated amount of approximately \$215,000,000. These facts indicate not only a highly favourable position for Canada in international payments during the past year but also a considerable strengthening of our ability to meet any strains that the future may bring.

Importance of Foreign Trade

All who have listened to this recital of the facts in connection with recent developments in our foreign trade will, I am sure, be impressed with how vulnerable our economy is to the impact of adverse external influences, and there may also be some who will question the wisdom of any substantial reliance upon foreign trade. There is no doubt about the high degree of vulnerability in our position. Whether we like it or not, our whole economy, including particularly our primary industries, is geared to the world economic machine and particularly to that of the British commonwealth of nations and that of the United States. It is thus much more than the mere friendly interest of a sister commonwealth or of a good neighbour which leads us to follow with anxious eyes the progress of economic conditions in these countries. This dependence on other nations inevitably follows from the simple fact that Canada is highly fortunate in possessing an abundance of what

many other countries lack, namely, a rich and diversified treasure-house of agricultural, forest, and mineral resources. If we desire to capitalize these resources by specializing in their development and marketing the products abroad in exchange for commodities which we cannot ourselves produce or which we can only produce at greater cost, we must assume the risks inherent in the fact that our well-being will to a considerable extent be dependent upon the prosperity of our customers and upon the fluctuations in that prosperity. We can only avoid these risks, if we are content to place our economy on a self-sufficient basis. This would mean not only tremendous costs and wastes in the adjustment process but also a permanent and substantial lowering in the Canadian standard of living, not merely in times of economic depression but at all times. There are few in this country, I am confident, who are willing to pursue the mirage of national self-sufficiency. But, if that objective is not to be accepted, the course which should be followed by any government charged with the administration of affairs in this country is clear, and I submit it is the course which is represented by the policies which this government is following. In the field of external relations, it means not only such action on our part as may appropriately be taken to lessen the evils of international friction and political tension but also active cooperation in all efforts to re-open the markets of the world to the normal interchange of goods and services.

Domestic Factors

In emphasizing as I have done certain external and uncontrollable forces which have been influencing our economy, I would not have you think that I neglect or minimize the importance of the domestic factors. The fundamental fact that in this modern world no nation can live unto itself alone does not lessen, indeed it reinforces, the necessity for Canada to devote its maximum energies to the solution of its own internal problems. Concentration upon its domestic problems is the primary duty of any nation. It goes without saying that conditions favourable to economic expansion must be maintained. The fundamental structure of business in itself must be sound. Costs must be in the right relationship to prices. There must be a properly adjusted balance of factors within the price structure. Ample credit accommodation must be available for the needs of trade and for business expansion. Speculative enthusiasm must not be permitted to get out of hand. Maladjustments in the economy must not be allowed to develop. Above all, under our present economic system, there must be a prevailing atmosphere of confidence

in regard to our institutions, broad governmental politics and general conditions.

I have already expressed my own conviction that, measured by these tests, the Canadian economy during 1937 was in a sound position—that it disclosed no serious weaknesses which required the drastic corrective processes of a depression or even of a “recession.” I shall now give some evidence to support this conviction but I do not wish to weary you with statistical details and shall confine myself to comment on some of the more important industries and factors which may have special significance for the outlook as to the immediate future.

Employment

In each of the last two years I have had to refer to the failure of employment to keep pace with the striking gains in business activity and to point out that this was a condition usually met with in the early stages of recovery from business depression. I am therefore pleased to be able to report that during 1937 the increase in the volume of employment was for the first time since 1929 more rapid than the rise in industrial production, and also that since the downward trend in business began last December employment has declined less rapidly than other business indices. Estimates by the Dominion Bureau of Statistics of the total number of wage earners employed in all industries show that the number in employment was higher in March, 1938, than in the corresponding month of the preceding seven years, and only slightly less than in March of 1929 and 1930. The estimated number of unemployed wage earners, including unemployables, was 456,000 in March, 1938, which was lower than in the same month of any year since 1931. The index prepared by the bureau based on reports from 10,550 firms employing over a million persons, rose from 110.4 on May 1, 1937, to 119.6 on October 1, 1937, and on May 1 of this year stood at 111.5, still about one per cent higher than a year ago. The trend disclosed by this index is confirmed by the figures showing the numbers on urban relief rolls. Preliminary estimates of the number of relief recipients in April show a total including all dependents of 1,038,000 persons, which represents a decrease of 121,000 since April, 1937. However, if we exclude, as we should, recipients of agricultural relief whose situation is a result of climatic rather than of economic conditions, we find that the number of persons on relief including all dependents declined from 833,800 in April, 1937, to 632,000 in April, 1938, a decrease of 201,800 persons or over 24 per cent during the period. Costs

of urban direct relief have perhaps not been reduced proportionately with the decrease in numbers on relief but considerable progress has been made in many communities in securing a more effective control over expenditures.

The Construction Industry

I know of no better means of expanding employment in Canada to-day than by stimulating building activity. The construction industry is the most important of our capital or durable goods industries and it is the drastic fluctuations in this group of industries which largely account for the wide differences in general economic activity as between good and bad times. Purchases of consumers' goods maintain a fairly steady volume, but the durable goods industries tend to expand to abnormal proportions during boom periods and to lapse into comparative stagnation during depressions. Perhaps in no other industry is the range of fluctuation apt to be so great as in construction. It is difficult to exaggerate the bad effects which this extreme variability has upon the general welfare of the community. The reason will be obvious to anyone who takes the trouble to examine the magnitude of the dollar value of the products of the construction industry in normal times; the long series of industries which produce its raw and processed materials—lumber, iron and steel, cement, lime, brick, stone, glass, heating equipment, plumbing equipment and many others; the very large number of skilled craftsmen and unskilled labourers to whom it gives employment, both directly and indirectly; and the fact that its effects on employment and business activity ramify so widely in every community throughout the country. It has been frequently pointed out that this industry suffered most from the onset of the great depression, that it has been the most laggard of our major industries in recovering from the depression, and that its many branches include the occupations in which unemployment has been most heavily concentrated. In the eleven years from 1921 to 1931, the average annual value of all construction contracts awarded in Canada was \$370,000,000 and the annual totals ranged, during that eleven year period from a low of \$240,000,000 in 1921 to a high of \$577,000,000 in 1929. During the worst year of the depression, 1933, the total dropped 73 per cent from the 11-year average to less than \$100,000,000. From that low point the industry has been slowly recovering and during 1937 this upward movement was accelerated, total contracts awarded rising by 38 per cent over

1936 to \$224,000,000. The increase of residential contracts by 31 per cent to \$56,000,000 was very largely attributable to the stimulus provided by the Dominion Housing Act and the Home Improvement Plan. But, even with this increase, the total volume of construction during 1937 was still less than half the total for 1930, and construction during the first five months of 1938 again fell 25 per cent below the level of the corresponding period in 1937.

The experience of several countries with expansionist policies during the last few years has proven that only a rise in the rate of new investment can provide a durable basis for an upswing in business activity. Attempts to stimulate consumption by government expenditure or by suddenly improving labour conditions have been tried on more than one occasion but in every case they have been found wanting. They produced, it is true, an immediate temporary stimulus, but they did not awaken the more normal and permanent motive forces which are essential to continuing prosperity and they tended to put too heavy a burden upon production which ultimately produced an effect the reverse of what was intended. Furthermore, we have had several conclusive demonstrations of the principle that government expenditure to create or stimulate employment will not have beneficial results if it is carried on in such a way or on such a scale as to create an atmosphere of fear and uncertainty. It is of little use to prime the pump of business enterprise with government expenditure if at the same time we dry up the springs of private initiative which feed the well. It may be arguable as to whether a system of free enterprise is the most desirable economic and social system but as long as we believe in such a system—and few of us have seen any other system which we would be willing to accept as a substitute—we must follow policies that will enable it to work in accordance with its essential principles. The most important of these principles is that decisions as to whether the individual shall spend and consume, or shall save and invest, or shall save and hoard, are left to the individual's own initiative. If, therefore, the answers to the questions as to whether plants are to be built or extended, new houses are to be erected, and industry is going to expand or to stagnate, depend upon the decisions of tens of thousands of individuals who are free agents and not regimented sheep, it follows that governments must pursue policies which create confidence rather than fear and uncertainty—which give leadership and guidance and encouragement rather than stifle initiative and paralyze

new enterprise. If in order to create employment we embark upon expenditures which create undue deficits, or if in any other way we show no sense of financial responsibility, we are certain to find that the relatively small amount of employment which we create is much more than offset by new unemployment resulting from paralysis of private enterprise. Under our system at least, government expenditures cannot take the place of private enterprise, and I do not think that our people are prepared to accept the alternative system of regimentation under which all or practically all expenditures would be government expenditures.

It was this set of principles and the set of facts which I have given in regard to the construction industry which led the government to ask parliament's approval of the Municipal Improvements Assistance bill and of the comprehensive housing program which I had the privilege of introducing the other day. Two phases of the tripartite housing program seek to restore a more normal volume of construction activity by removing obstacles which have hampered individual initiative and by providing facilities and incentives which are designed to bring into full play the energies and resources of the various branches of the industry itself. The third phase provides for a larger measure of governmental assistance but this is in the field of low-rental housing, where such direct governmental assistance can be given without the risk of subsidizing competition to private builders and thus discouraging more building than is stimulated. Moreover, the program for the most part involves government aid by way of loan for productive undertakings of a self-liquidating character. If there is, as there undoubtedly will be, a proportion of loss in respect of these loans, that loss will be amply compensated for not only by the employment created during the present emergency but also by the permanent improvement in the living conditions of our people.

I said the other day that the program constituted a challenge to the building industry. I repeat that challenge to-day with all the emphasis I can command. I wish to add that I am confident the challenge will be accepted. If it is, the contribution which it can make to the elimination of unemployment, to the stimulation of our whole economic life and to the expansion of the national income will be difficult to exaggerate.

Capital Goods Industries

While I am dealing with one of our major durable goods industries, let me say that activity in our factories producing capital or producers' goods was one of the brightest

spots in the manufacturing field during the past year. The output of industries engaged in the manufacture of producers' goods showed a gain of 13 per cent in 1937 over the preceding year. The primary iron and steel industry reflected the revival in the domestic demand for industrial equipment and durable goods as well as a brisk demand from the United Kingdom. The output of steel ingots recorded a gain of nearly 26 per cent over the preceding year, while the increase in pig iron production was over 32 per cent. The index of employment in this industry averaged 18 per cent higher than in the previous year. Since the first of the year, activity has declined but it is interesting to note that while in the United States the steel industry is operating at less than 30 per cent of capacity, the Bureau's index of steel production in Canada for April was 161.7 and for pig iron production 108.5 as compared with averages of 178.1 and 148.7 respectively for the boom year 1929.

The Mining Industry

The industry, however, which during the past year has been responsible, and is still to-day responsible, for the greatest stimulus to an upward movement in our economy is the mining industry. In 1937 for the third consecutive year it established a new record in the total value of its output. Reflecting in part a higher level of prices during most of the year, total production was estimated at \$457,000,000, an increase of 26 per cent over the 1936 output. The dollar output of copper rose by 77 per cent, of nickel by 36 per cent and of lead by 43 per cent. Production of gold increased by 9 per cent to a total of \$143,000,000, or more than double the output of eight years ago. While prices, particularly of base metals, have been substantially lower this year, and while the exports of nickel to the United States have been affected by the depression in that country, the performance of the mineral industry during the first four months of this year in the face of declining trends elsewhere, has been a truly remarkable one. The Bureau's index of physical output of the mines rose by 18 per cent from January to April and the figure for April was almost 15 per cent higher than that for April, 1937. Particularly noteworthy were the increases recorded in April of this year which would appear to forecast the impetus to general economic recovery which may be expected from this industry during the balance of the year. In this connection it is estimated that thirty new gold mills will come into operation during 1938, increasing existing capacity by more than 11 per cent.

Forest Products Industries

Less encouraging has been the record during the last few months of that other great primary industry which is based on the products of our forests. During 1937, it is true there was a rapid expansion of production in its various branches, but this rapid pace has been slowed down materially because of a combination of factors, including the slackening of the British building boom, restricted demand from the United States and from the far east, severe weather during the winter months in British Columbia, and an over-accumulation of stocks in at least one branch of the industry. Newsprint output expanded during 1937 to a record high point, not far from the practical limit of capacity of the mills, and reached a total volume for the year more than 14 per cent in excess of that for 1936. But in the third quarter an excess of stocks in publishers' hands in the United States began to appear and sharp curtailment of Canadian production became necessary. However due to the substantial falling off in the United States' demand consequent upon the business depression, the industry has made relatively slow progress in disposing of accumulated stocks of newsprint. During the first four months of 1938, total output of newsprint mills in Canada was down 27 per cent from the corresponding period of 1937, and the industry will in my opinion do well if it is able to operate for the year as a whole on an average basis of about 65 per cent of capacity.

Other branches of the forest industry have fared considerably better. Logging operations required an expansion in number of employees of 36.5 per cent during 1937 while saw milling and paper industries recorded an advance of 11 per cent. Timber scaled in British Columbia which is a good index of saw mill operations showed a gain of 7.5 per cent while the exports of all wood and paper products rose by 25 per cent to a total of \$263,000,000. During the winter months, however, lumbering operations were on a smaller scale than during the previous season and the general level of activity to-day is probably substantially below that of a year ago. On May 1st, employment in logging operations was 12 per cent higher than on May 1st, 1937, but in the rough and dressed lumber industries it was almost 9 per cent lower. Exports of planks and boards decreased by about 20 per cent in the first four months of 1938. It is difficult to forecast the outlook for lumber demand from foreign markets during the balance of the year, but the sharp decline in ocean freight rates to United Kingdom ports from the excessive levels of 1937 will place British Columbia lumber on a more advantageous

basis in that market in competition with Baltic timber. The lumber industry should also be one of the chief beneficiaries of expanding activity in the domestic construction field which the government's housing program is designed to bring about.

The National Income

Summing up the net production of goods and services in all fields of economic activity, we reach that most significant of the measures of national well-being, namely, the total national income. By national income I mean not the revenues of the dominion government but the aggregate of the individual incomes of all the people. Unfortunately, the statistics of our national income, although the most important of all statistics for purposes of analysis and policy determination, leave much to be desired both in their adequacy and in the time at which they become available. I believe that the methods used by the Bureau in compiling their estimates are being revised and their compilations for the year 1937 have not yet been completed. Preliminary estimates from unofficial sources, however, appear to indicate that Canada's national income in 1937 amounted to \$4,830,000,000, which is an increase of 13 per cent over the Bureau's revised estimate for 1936.

Wholesale Prices

I turn now to a number of considerations which are primarily financial in character. Last July, the index of the wholesale prices of commodities reached a high point for the recent movement, only 12½ per cent below the average level which prevailed in 1926. Since that time there has been a gradual downward tendency, the index for April representing a drop of almost 6 per cent from the high of last July. This 6 per cent compares with a decrease of 9 per cent in the United Kingdom and of about 10 per cent in the United States. During the last two years, however, the disparities which had previously been an unsound and retarding factor in the Canadian price structure have been largely corrected. For instance, it is significant to note that while the index of April of this year for all commodities stood at 82·3, that for Canadian farm products was 82·5 and for fully and chiefly manufactured goods 81·3. In other words, the normal equilibrium between farm prices and other prices has been restored.

The Security Markets

The decline in common stock prices has been drastic. Canadian stock markets felt the full blast of the hurricane which swept the New York stock exchange last autumn and security prices in the two countries are about on a par. This is true despite the

highly satisfactory earnings of Canadian business enterprises as a whole last year. A recent listing of the net earnings of 522 corporations for the fiscal year ending in 1937 gives a total of over \$450,000,000, which is 17 per cent above the aggregate net earnings of the same corporations for the previous year. It is only natural, however, that our financial markets should move closely in sympathy with New York. Apart from the important relationships in trade and commerce to which I have already referred, securities of a value of hundreds of millions of dollars flow annually north and south between the financial centres on this continent. Elaborate machinery has been developed to facilitate these transactions, and the daily intercommunication between brokers and financial houses has its effect in tending to create the basis for a common outlook on business prospects. Obviously, this has dangers as well as advantages. Depression psychology may affect our financial and business leaders when our own conditions do not justify it, and what is more important, if the North American investor for any reason loses confidence in any phase of the Canadian position, capital may fly from Canada overnight and our own securities held abroad may be dumped on our markets in enormous quantities. Fortunately there is no reason for the American investor to lose his undoubted faith in Canada which has been grounded in long and satisfactory experience, but those in charge of financial affairs in this country must always keep such considerations in mind.

The Bond Market

The bond market in Canada has given an infinitely better account of itself than the stock market during the past year. During 1937, bond issues were sold by dominion, provincial and municipal authorities and by private corporations to an aggregate amount of \$701,700,000, of which \$225,600,000 was for new cash and \$476,100,000 for refunding purposes. During the first quarter of 1938, the total offerings were \$162,100,000 of which \$76,800,000 was for cash and the remainder for refunding. These are substantial totals for a country of small population and indicate a healthy functioning of the capital markets. To-day the interest yields of dominion bonds are lower than they have ever been before in our history except for a short period in 1936. In another connection I shall give details of the favourable basis on which we were able to carry out a heavy volume of dominion financing last year.

If hon. members will examine the statistics published by the League of Nations on the percentage yield of government bond issues they may be surprised to find that of all the countries of the world only the United States,

Great Britain, Holland, Sweden and Switzerland show the obligations of their respective governments selling on as low a yield basis as the obligations of the government of Canada. This is all the more remarkable when you remember that these are great creditor countries while Canada is one of the greatest debtor countries in the world, that is to say, has more foreign capital invested within her borders than most other countries. In making such comparisons, care must be taken of course to see that maturity dates, coupon rates and tax exemption features are reasonably comparable. On a recent date the quotations showed the following yield basis for a government bond of 17 to 19 year term in the domestic markets of the respective countries: Canada, 3.01 per cent; United Kingdom, 3.09 per cent; Australia, 3.76 per cent; New Zealand, 4.31 per cent; South Africa, 3.45 per cent; and the United States, 2.56 per cent,—but that United States issue is free of income tax, and therefore is not strictly comparable. No comparable quotation could be secured for France, but her perpetual rentes were selling in March on a 4.43 per cent basis while Canada's perpetuals were on less than a 3.40 per cent basis.

Interest Rates on Government Bonds

I have also caused to be made certain calculations showing for the latest available date the average rate of interest being paid on the outstanding debt of several important countries. In the case of Canada, the average rate on our outstanding debt including treasury bills and allowing for the effects of the conversion issue floated in London last January, was 3.53 per cent. As the volume of outstanding treasury bills and other short term debt varies considerably as between different countries and as the information regarding this short term debt is not available in all cases, I will use for purposes of comparison the average rate on our Canadian debt excluding treasury bills. This was 3.67 per cent as at March 31, 1938. Contrast this percentage with the following figures for other countries: United Kingdom, 3.56 per cent; United States, 2.69 per cent, but again I must point to the tax free feature of the United States obligations; New Zealand, 3.79 per cent; South Africa, 3.92 per cent; Australia, 3.98 per cent; and France, 4.36 per cent. Of this comparison I think Canadians have real reason to be proud.

It may be of interest, Mr. Speaker, to make a further comparison with the Commonwealth of Australia. There is frequent controversy in this country as to whether we should have followed the plan adopted by

Australia in 1931 when the interest rate on outstanding government bonds was cut by an average of 22½ per cent. I shall not undertake to pass judgment on the wisdom of such a policy for Canada in 1931 or 1932 but I do wish to point out that as at June 30, 1931, before the conversion operation took place in Australia, the average rate of interest on Australia's outstanding debt was 5.25 per cent and as at June 30th last, it was 3.93 per cent, a decrease therefore in the average rate on the Australian debt of 25.1 per cent. On the other hand the average rate of Canada's debt outstanding as at March 31, 1931 was 4.98 per cent, and to-day the corresponding rate is 3.53 per cent, a decrease in the case of Canada of 29.1 per cent.

In other words, by following a different and more normal policy, Canada has been able to secure a reduction in her average rate of interest by a larger percentage and to a lower relative figure.

To keep the record straight, I wish also to mention two additional facts. First, the arbitrary reduction in interest was applied only to domestic holders of government bonds, a policy which it was easy to enforce in Australia because of the established practice of issuing bonds in registered form rather than bonds payable to bearer, and bonds payable optionally in two or more currencies. Secondly, the policy was only one part of a comprehensive program designed to reduce all costs, including wages, by an approximately equal proportion.

Moreover, the Australian conversion offer was originally on a voluntary basis and it was only after 91 per cent of the bondholders had voluntarily accepted that the conversion was made compulsory on the 3 per cent who had dissented and the 6 per cent who had not been heard from. Canada has followed consistently the policy of offering voluntary conversions to holders of our bonds as these bonds become due or callable. This policy has amply justified itself. I have already shown the extent to which we have succeeded in reducing the average rate of interest on our outstanding debt. But rates of interest represent small figures and their full significance may not be apparent. Let me state the facts in another way. As at March 31, 1938, our total bonds, debentures and treasury bills outstanding amounted to approximately \$3,315,000,000. This represents an increase since 1930 of \$1,031,000,000 due mainly to the emergency expenditures incident to the depression. The annual interest charge, which represents the burden of this debt as at March 31 last, was \$117,063,000 which was less than the corresponding figure at the end or any other year since the close of the war, with the single exception of March 31, 1930.

The interest requirement on the funded debt outstanding on the latter date was \$114,577,000. It should be remembered, however, that since 1930 we have invested a substantial sum in additional active loans and investments which as at March 31, 1938, accounted for an offsetting credit to the treasury of \$5,470,000 in the form of interest receivable. If this sum be deducted, the net interest burden on the funded debt is less than in any year since the great war, in spite of the increase in the public debt itself of over \$1,000,000,000 since 1930.

Let me now sum up the argument I have been developing. In the first place we have succeeded in getting our interest rates on current borrowings down to levels comparable with those of the oldest and wealthiest countries in the world. Secondly, we have been able to reduce the average interest rate on our total outstanding funded debt to approximately $3\frac{1}{2}$ per cent, although much of that debt was created in years past when interest rates were substantially higher than they are to-day, again a level comparable with the oldest and wealthiest countries. Finally, in spite of the fact that during the depression years our funded debt has had to be increased by over a billion dollars, the burden of that debt in the form of its annual interest charge is less than the payment required to service our smaller debt in any year since the war except 1930. All this I submit is no small achievement for a young and debtor nation. It reflects careful administration of the government's finances, a persistent endeavour to achieve a budgetary balance at the earliest practicable date, a healthy functioning of the capital markets, and the results of an easy money policy efficiently carried out.

Monetary Policy

There are some, of course, who appear to believe that the government should not pay interest at all or, indeed, should issue debt free money to finance its expenditures or to retire its interest bearing debt or to do both of these things. It is incredible that this hoary fallacy should persist after so many historical demonstrations of its devastating possibilities. Perhaps I underestimate the insidious appeal of a program which promises to make something out of nothing, although I must say that for no one more than for a minister of finance should such a program have seductive charm. How much easier my task would be if I could draw on the accumulated savings of the Canadian people without paying interest thereon or if indirectly I could do the same thing by issuing credit against our natural wealth, that is, against the resources of farm and forest and mine and factory now owned by the Canadian people as individuals and not by the dominion

government. I am sometimes criticized because I do not accept the so-called "new economics," which in fact is centuries old. It dates back to the first monarch who, finding it difficult to replenish the royal coffers by taxation, tried to filch the needed funds from the pockets of his subjects by debasing his currency. When first introduced this currency debasement gave some temporary stimulus to trade, because there were in circulation more of the sovereign's coins, albeit each had a lower intrinsic value. But when the smoke cleared away the net result became evident, namely, that the sovereign had obtained a larger share of the product of his people's labour. It may be that our taxation system is not the most scientific, but at least the attempt has been and is being made to make it progressively more equitable. The kind of device to which I have been referring takes many different forms, but there is nothing more certain than this, that in any of its forms it constitutes the most unjust and most inequitable type of taxation that could be devised. Not only that, but the inflationist expansion of currency and credit which it contemplates is bound to initiate unhealthy speculative activity and to result in overexpansion of particular industries. When maladjustments become too pronounced, the speculative boom always collapses and depression sets in. Surely we have suffered too much, Mr. Speaker, from the inflationist experience of the war and its sequel to deliberately embark upon such a program again.

This is not the way of sound and healthy prosperity. On a recent occasion in the house I had the privilege of discussing the monetary policy which has been followed in this country in recent years and of showing why in my opinion that policy was well conceived. It has been an easy money policy designed to offset any deflationary tendencies and to ensure that ample currency and credit would be available to meet the needs of industry and trade. Its general objective has been to promote the maximum possible sustained level of productivity and the minimum possible level of unemployment. It is a tribute to the skill with which this policy has been administered that while currency and credit have been expanded at a quite rapid rate, the substantial rise in production and trade which occurred has been consistent and has taken place without speculative excesses or other unsound features developing in our economy. To monetary policy must be given at least some share of the credit for the health and soundness of our internal economic conditions which I have already reported. We may feel confident, Mr. Speaker, that it will adjust itself with equal efficiency to the changing conditions that may arise in the future.

Economic Outlook

In this review of current economic conditions during the past year, I have tried to indicate the divergent influences at work. The net result of these conflicting forces will determine the course of Canadian business during the remainder of this year. On the unfavourable side we find two external factors which for us are uncontrollable and unpredictable. I refer to the progress of business depression abroad and to developments in the field of international relations. It is to be hoped that business in the United States is now dragging on the bottom and that the steps which have been and are being taken will promote an up-turn before the end of this year. In the United Kingdom and other European countries, the acceleration of the armaments program should exert a favourable short-term influence, although none of us look forward with confidence to the more distant results of a program which involves so heavy a concentration of the resources of the leading nations upon preparation for war. In the political field it is even more difficult to make predictions. Realism compels us to face frankly the fact that the potential dangers are indeed great. We can only hope that the forces which are striving to prevent war, while maintaining freedom, will achieve success.

Any improvement in conditions abroad will strongly reinforce the influence of the favourable forces which are at work within our own country. As I have already stated, our internal economy is sound, our price structure is in reasonable balance, ample credit accommodation is available for further expansion, and our people need not be affected by fear and uncertainty. Production in our major industries has shown what is relatively a moderate decline in the face of depressed

conditions elsewhere and since February our index of the physical volume of business has been tending upwards. Moreover, there are now important forces at work which in my opinion should give a vigorous impetus to further recovery later in the year. Most important of these is the improved prospect for a good wheat crop and for good agricultural conditions generally. The mining industry may also be counted on to provide a further stimulus. Finally, I am confident that as a result of the government's program in relation to housing, municipal improvements, and national conservation and development generally, we may expect to see during the next few months the beginning of a more vigorous revival in the construction industry and the many industries which depend upon it. These are all powerful influences making for recovery, and if backed by the wholehearted cooperation of all elements in our population, they should make the current year a reasonably satisfactory one.

II

GOVERNMENT ACCOUNTS, 1937-38

Turning now, Mr. Speaker, to the government accounts, I am pleased to state that, because of the late date at which the budget is being brought down, I am able to present the figures for the past fiscal year in practically their final form instead of making the provisional estimates which are usually necessary. Following the procedure of last year, I shall first, with the permission of the house, place on Hansard a number of tables giving a complete summary of revenues and expenditures under the usual categories and of the over-all deficit or increase of net debt for the fiscal year 1937-38, together with comparative figures for the four preceding fiscal years:

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

—	1933-34	1934-35	1935-36	1936-37	Estimated 1937-38
	\$	\$	\$	\$	\$
Tax Revenues—					
Customs import duties.....	66,305	76,562	74,004	83,771	93,456
Excise duties.....	35,494	43,190	44,410	45,957	52,037
War tax revenues—					
Banks.....	1,336	1,369	1,281	1,210	1,107
Insurance companies.....	742	750	761	775	867
Income tax.....	61,399	66,808	82,710	102,365	120,366
Sales tax.....	61,392	72,447	77,552	112,832	138,054
Manufacturers', importations, stamps, transportation taxes, etc.....	45,184	39,745	35,181	39,641	42,765
Tax on gold.....	—	3,573	1,413	—	—
Total revenue from taxes.....	271,852	304,444	317,312	386,551	448,652

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(000 omitted)

	1933-34	1934-35	1935-36	1936-37	Estimated 1937-38
	\$	\$	\$	\$	\$
Non-Tax Revenues—					
Canada Grain Act.....	1,236	1,205	1,213	1,192	680
Canada Gazette.....	56	47	49	48	47
Canals.....	878	838	890	1,004	1,866
Casual.....	3,622	4,337	4,636	6,276	6,598
Chinese revenue.....	6	6	6	7	2
Electricity.....	440	485	542	646	692
Fines and forfeitures.....	178	90	295	134	209
Fisheries.....	39	43	42	56	60
Gas inspection.....	76	96	91	93	88
Insurance inspection.....	149	139	147	152	162
Interest on investments.....	11,148	10,963	10,614	11,231	13,120
Lands, Parks and Forests.....	419	516	458	478	541
Marine.....	208	218	222	263	336
Mariners' fund.....	188	181	187	205	206
Military college.....	20	20	20	20	20
Militia pensions revenue.....	165	174	178	187	194
Ordinance lands.....	18	16	16	15	16
Patent and copyright fees.....	429	426	455	464	452
Penitentiaries.....	98	74	68	62	63
Post Office.....	30,893	31,248	32,508	34,275	35,546
Premium, discount and exchange.....	—	752	36	—	27
Public Works.....	250	254	251	274	318
Radio Licences.....	1,291	1,487	1,574	(¹) 990	(¹) —
R.C.M.P. officers' pensions.....	12	9	11	10	11
Weights and measures.....	400	407	401	396	393
Total non-tax revenue.....	52,219	54,031	54,910	58,478	61,647
Total ordinary revenues.....	324,071	358,475	372,222	445,029	510,299
Special Receipts—					
Sundry receipts.....	409	3,397	320	(²) 8,464	3,009
Other Credits—					
Refunds on capital account.....	90	80	27	616	1,542
Credits to non-active accounts.....	91	21	27	45	819
Net credit resulting from various adjustments in Railway accounts authorized by Canadian National Railway Capital Revision Act, 1937.....	—	—	—	—	1,023
Total Special Receipts and Credits.....	590	3,498	374	9,125	6,393
Grand Total Revenue.....	324,661	361,973	372,596	454,154	516,692

(¹) As from Nov., 1936, radio licence fees deposited to credit of The Canadian Broadcasting Corporation.

(²) Includes \$8,000,000 from Canadian Wheat Board taken into the accounts as an offset, in part, to the disbursements in 1935-36 re losses on 1930 wheat pool and stabilization operations.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS

(000 omitted)

	1933-34	1934-35	1935-36	1936-37	Estimated 1937-38
	\$	\$	\$	\$	\$
Ordinary expenditures—					
Agriculture.....	6,996	7,107	9,399	8,741	9,017
Auditor General's Office.....	376	377	429	423	463
Civil Service Commission.....	221	221	259	305	358
External Affairs, including Office of Prime Minister.....	974	1,427	1,290	1,341	1,450
Finance—					
Interest on Public Debt.....	139,725	138,533	134,549	137,410	132,118
Cost of Loan Flotations.....	2,550	2,890	3,577	3,839	4,555
Premium, Discount and Exchange (net)	167	—	—	400	—
Subsidies to Provinces.....	13,728	13,769	13,769	13,735	13,735
Special Grants to Provinces.....	1,600	1,600	3,975	3,225	7,475
Other Grants and Contributions.....	396	467	736	540	580
Civil pensions and superannuation.....	1,032	943	854	787	995
Government contribution to Superan- nation Fund.....	1,986	1,948	1,875	2,019	2,065
Old Age Pensions.....	12,314	14,942	16,764	21,149	28,653
General Expenditure.....	3,152	3,939	3,735	3,579	3,635
Fisheries.....	1,596	1,641	1,710	1,691	1,850
Governor General's Secretary's Office....	136	133	138	143	144
Insurance.....	152	156	163	172	187
Justice.....	2,711	2,718	2,748	2,773	2,507
Penitentiaries.....	2,677	2,667	2,377	2,372	2,577
Labour.....	561	581	660	720	706
Technical Education.....	129	91	99	76	49
Government Annuities—Payments to maintain reserve.....	184	146	272	541	(¹) 5,000
Legislation—					
House of Commons.....	986	1,796	1,486	1,760	1,516
Library of Parliament.....	69	71	76	75	79
Senate.....	286	491	491	587	536
General.....	62	95	55	73	57
Dominion Franchise Office.....	—	1,545	498	53	76
Chief Electoral Officer, including elec- tions.....	32	146	1,089	72	45
Mines and Resources—					
Administration.....	—	—	—	—	(²) 1,518
Immigration and Colonization.....	1,374	1,269	1,322	1,313	1,163
Indian Affairs.....	4,380	4,362	4,869	4,904	4,897
Interior.....	2,857	2,750	2,939	2,887	—
{ Lands, Parks and Forests.....	—	—	—	—	{ 1,875
{ Surveys and Engineering.....	—	—	—	—	{ 941
Mines and Geological Survey.....	909	965	1,040	1,135	658
Movement of Coal and Domestic Fuel Act	2,772	2,124	2,103	2,277	2,521
National Defence—					
Militia Service.....	8,773	8,853	10,141	11,346	17,223
Naval Service.....	2,171	2,222	2,380	4,763	4,372
Air Service.....	1,685	2,258	3,777	5,822	10,018
Sundry Services.....	847	847	879	992	1,147
National Revenue (including Income Tax)	10,360	10,166	10,963	11,205	11,870
Pensions and National Health—					
Treatment and after-care of returned soldiers.....	9,571	10,127	11,060	11,579	12,152
Pensions, War and Military.....	42,923	43,232	42,790	43,067	42,240
Health Division.....	802	809	993	873	914
Post Office.....	30,554	30,252	31,438	31,906	33,762
Privy Council.....	49	46	46	45	48
Public Archives.....	157	209	165	160	170
Public Printing and Stationery.....	172	368	169	169	161
Public Works.....	10,827	9,905	12,945	14,519	12,385
Royal Canadian Mounted Police.....	5,528	5,970	6,165	5,635	6,308
Secretary of State.....	387	395	705	655	692

(¹) This represents a tentative estimate pending definitive calculations by Department of Labour on an actuarial basis.

(²) Prior to 1937-38 general administration expenses were not segregated from other expenditures of the respective Services of the Departments which were amalgamated to form the Department of Mines and Resources and the Department of Transport.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Continued*
(000 omitted)

	1933-34	1934-35	1935-36	1936-37	Estimated 1937-38
	\$	\$	\$	\$	\$
Ordinary expenditures—Concluded					
Soldier Settlement.....	810	746	762	806	801
Trade and Commerce.....	3,007	3,057	3,458	5,523	4,070
Canada Grain Act.....	1,759	1,679	1,848	1,739	1,675
Mail Subsidies and steamship subventions.....	2,221	2,274	2,426	2,120	2,029
Transport—					
Administration.....	—	—	—	—	(1) 358
Air Service.....	—	—	—	—	(2) 2,961
Marine.....	5,439	5,742	5,857	5,614	4,308
Canadian Broadcasting Corporation.....	1,025	1,249	1,500	878	—
Railways and Canals.....	3,315	4,581	4,250	4,019	3,927
Maritime Freight Rates Act.....	1,989	2,529	2,348	2,506	3,182
Railway Grade Crossing Fund.....	310	275	128	54	180
Total ordinary expenditure.....	351,771	359,701	372,539	387,112	410,954
CAPITAL EXPENDITURE					
Canals.....	1,986	338	458	52	—
Railways.....	754	526	287	203	71
Public Works.....	3,840	6,243	5,799	3,237	4,359
Total capital expenditures.....	6,580	7,107	6,544	3,492	4,430
SPECIAL EXPENDITURES					
Unemployment Relief Act, 1930.....	4	2	26	—	—
Unemployment Relief Act, 1931.....	564	52	26	—	—
Unemployment Relief Act, 1932.....	6,948	399	111	—	—
Unemployment Relief Act, 1933.....	28,382	2,420	494	—	—
Unemployment Relief Act, 1934.....	—	49,114	1,152	—	—
Unemployment Relief Act, 1935.....	—	—	48,027	—	—
Special Supplementary Estimates—					
Administration—Relief Acts, 1936 and 1937.....	—	—	—	194	378
Grants-in-aid to Provinces.....	—	—	—	28,930	19,493
Dominion share of joint Dominion-Provincial projects.....	—	—	—	12,692	8,841
Dominion Projects.....	—	—	—	23,554	13,911
Transportation facilities into mining areas.....	—	—	—	1,221	1,324
Railway Maintenance Relief Work.....	—	—	—	2,662	—
	35,898	51,987	49,836	69,253	43,947
Western Drought Area Relief—					
Direct Relief.....	—	—	—	5,144	11,925
Feed and fodder and freight thereon.....	—	—	—	3,517	11,352
Freight charges on movement of cattle.....	—	—	—	90	—
Expenses of marketing cattle.....	—	—	—	—	337
Purchase and distribution of foodstuffs.....	—	—	—	—	971
	—	—	—	8,751	24,585
Public Works Construction Acts.....	—	8,673	29,581	—	—
1930 Wheat Crop Equalization Payments Act.....	—	—	6,600	—	—
Loss on 1930 Wheat Pool and stabilization operations—					
Payment to Canadian Wheat Board of net liability assumed as at Dec. 2, 1935....	—	—	15,856	—	—
Loss on 1930 oats pool under guarantee of bank advances to Canadian Co-operative Wheat Producers, Limited.....	—	—	174	—	—
Total special expenditures.....	35,898	60,660	102,047	78,004	68,532

(1) Prior to 1937-38 general administration expenses were not segregated from other expenditures of the respective Services of the Departments which were amalgamated to form the Department of Mines and Resources and the Department of Transport.

(2) Prior to 1937-38 expenditures on civil aviation, now the Air Service Branch of the Department of Transport, were included under expenditures for the Air Service Branch of the Department of National Defence.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS
FOR THE LAST FIVE FISCAL YEARS—*Concluded*
(000 omitted)

	1933-34	1934-35	1935-36	1936-37	Estimated 1937-38
	\$	\$	\$	\$	\$
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Fund—					
Canadian National Railway System, ex-eastern lines.....	52,264	42,590	41,796	37,449	37,882
Eastern lines.....	6,692	5,818	5,625	5,854	4,464
Canadian National Steamships.....	—	—	270	—	—
National Harbours Board.....	—	—	1,126	250	289
Trans-Canada Air Lines.....	—	—	—	—	111
Total charged to consolidated fund.....	58,956	48,408	48,817	43,553	42,746
Loans and advances non-active—					
Canadian National Steamships.....	(1) 14	487	(1) 333	(1) 1,754	104
National Harbours Board.....	2,110	1,242	2,456	2,419	1,983
Total non-active advances.....	2,096	1,729	2,123	665	2,087
Total government-owned enter- prises.....	61,052	50,137	50,940	44,218	44,833
OTHER CHARGES					
Write-down of assets chargeable to Consoli- dated Fund—					
Reduction in soldier and general land set- tlement loans.....	1,766	469	488	628	750
Yearly established losses in seed grain and relief accounts—Department of Mines and Resources.....	91	21	27	44	14
Cancellation of Canadian Farm Loan Board—Capital Stock.....	—	—	—	20	10
Province of Manitoba Treasury Bills....	—	—	—	—	805
Non-Active Accounts—					
Canadian Pacific Railway advances (Re- lief Acts).....	1,000	—	—	—	—
Active assets transferred to non-active...	—	11	—	(2) 18,487	139
Total other charges.....	2,857	501	515	19,179	1,718
Grand total expenditures.....	458,158	478,106	532,585	532,005	530,467

(1) Credit. (2) Dominion contribution to Voluntary Debt Adjustment Program effected in Provinces of Manitoba and Saskatchewan respecting Drought Area Relief that was financed by the Dominion to January 1, 1935—Manitoba \$805,000, Saskatchewan \$17,682,000.

SUMMARY OF REVENUES AND EXPENDITURES
(000 omitted)

Ordinary expenditures.....	351,771	359,701	372,539	387,112	410,954
Ordinary revenues.....	324,071	358,475	372,222	445,029	510,299
Deficit (—) or surplus (+) on ordinary account.....	—27,700	—1,226	—317	+57,917	+99,345
Special expenditures.....	35,898	60,660	102,047	78,004	68,532
Less special receipts.....	409	3,397	320	8,464	3,009
Balance.....	35,489	57,263	101,727	69,540	65,523
Add—Capital expenditures.....	6,580	7,107	6,544	3,492	4,430
“ Government Owned Enterprises.....	61,052	50,137	50,940	44,218	44,833
“ Other charges.....	2,857	501	515	19,179	1,718
	105,978	115,008	159,726	136,429	116,504
Less other credits.....	181	101	54	661	3,384
	105,797	114,907	159,672	135,768	113,120
Add deficit or deduct surplus as above.....	27,700	1,226	317	57,917	99,345
Over-all deficit or increase of direct net debt.....	133,497	116,133	159,989	77,851	13,775

Revenues, 1937-38

With regard to revenues for the fiscal year 1937-38, the last fiscal year, our revenues from taxation and all other sources aggregated \$516,692,000. This total exceeded that of the previous year by some \$62,538,000, and surpassed by \$55,835,000 the previous high total of the fiscal year 1928-29. The extent of our recovery from the low point of the depression is strikingly illustrated by the fact that our total revenue for 1937-38 represented an increase of more than 65 per cent over that for the low year 1932-33.

Total revenue from taxation amounted to \$448,652,000, and exceeded the total for last year by over \$62,000,000. Every major tax source contributed to this increase.

The sales tax for the second successive year led the field as a revenue producer. The total of \$138,054,000 was \$25,222,000 in excess of the previous year, and this increase resulted almost solely from a heavier turnover of merchandise and a higher price level, as the rate of tax has remained unchanged since May 1, 1936.

The income tax, which along with the sales tax now provides over one-half of our total tax revenue, was the second largest producer. Receipts from this source amounted to \$120,366,000, an increase of \$18,000,000 over last year, and much the highest total on record. There is no more conclusive evidence, Mr. Speaker, of the substantial improvement in both individual and corporate incomes. Of the total receipts, \$69,769,000 was derived from corporations, \$40,445,000 from the tax on individual incomes and \$10,152,000 from the five per cent tax on interest and dividends.

Excise duties, levied principally on liquor and tobacco, increased \$6,080,000 over the previous year, to a total of \$52,037,000.

Customs duties accounted for \$93,456,000, a substantial increase over last year when the total was \$83,771,000. Although this revenue falls far short of previous high totals in 1929 and 1920, it must be noted that the proportion of imports entering this country entirely free of duty is larger at the present time than it has been since the turn of the century. In the two high revenue years mentioned, 1929 and 1920, for example, duty-free imports accounted for only about one-third of the total, whereas last year and the year before free imports amounted to almost one-half of our total imports.

Special excise taxes, of which the three per cent tax on imports is the most important as a revenue source, showed an increase of \$3,124,000 over the previous year, the total

receipts amounting to \$42,765,000. The bank note circulation tax continues to decline from year to year due to the statutory decreases in the note circulation of the chartered banks.

Non-tax revenues, that is to say, the revenues derived from investments and from various departmental services, aggregated \$61,647,000 during 1937-38, and increase of \$3,169,000 over the previous year. This increase took place despite the fact that radio licence fees, previously shown as non-tax revenue, were eliminated from the government's accounts in 1937-38 and credited directly to the Canadian Broadcasting Corporation. The largest single item in this group of non-tax revenues is Post Office receipts which totalled \$35,546,000, an increase of \$1,271,000 over 1936-37. The nominal surplus on Post Office operations is estimated at \$1,784,000. The other major source of non-tax revenue, interest on investments, totalled \$13,120,000, as compared with \$11,231,000 during the preceding year. This increase is largely accounted for by the receipt of \$1,700,000 from the Canadian National Railways representing interest paid on capital advances made to the railway by the government. It will be remembered that payment of interest on these advances was provided for in the C.N.R. Capital Revision Act passed at the last session, so that this represents a new revenue item in our accounts.

Special receipts and other credits for the past fiscal year totalled \$6,393,000, as compared with \$9,125,000 in the previous year. The exceptionally large figure for 1936-37 was accounted for by the \$8,000,000 payment from the Canadian Wheat Board for which there is no counterpart in the year under review. The total this year is comprised mainly of refunds on relief and capital expenditures and a net credit of \$1,023,000 resulting from adjustments made in the railway accounts under authority of the C.N.R. Capital Revision Act.

Expenditures, 1937-38

In dealing with expenditures, I shall, for the purpose of analysis and comparison with previous years, use the five main categories in which expenditures are now classified in the public accounts, but I wish again to emphasize the importance of concentrating our attention on the aggregate of our expenditures of all kinds, and on our over-all deficit rather than on ordinary expenditures and the surplus or deficit on ordinary account.

ORDINARY EXPENDITURES

The ordinary expenditures for the year totalled \$410,954,000, an increase of \$23,842,000 over the previous fiscal year. As ordinary

revenues amounted to \$510,299,000, the so-called surplus on ordinary account was almost \$100,000,000. As I have already stated, however, this surplus on ordinary account has only slight significance under present conditions which require substantial expenditures for relief and other purposes.

The largest increase in ordinary expenditures was accounted for by the new defence program initiated last year. Total expenditures of the Department of National Defence during 1937-38 amounted to \$32,760,000, an increase of \$9,837,000 over the previous year. The dominion's share of the cost of old age pensions increased by \$7,504,000 to a total of \$28,653,000. Special grants to provinces increased by \$4,250,000, reflecting depressed conditions in western Canada. The cost of running the Post Office, due chiefly to increased business, rose by \$1,856,000 to a total of \$33,762,000. I wish to call special attention to an item of \$5,000,000 representing the estimated amount required to be transferred to the Government Annuities Fund to maintain the reserve. This amount is very much larger than the provision made in any previous year and the increase results from the necessity of valuing our liabilities under annuity contracts in force as at March 31, 1937 on the basis of the increased rates now in effect. I should add that the figure mentioned is only a rough estimate pending completion of the actuarial calculations by the Department of Labour. It is obvious also that this item adds to our expenditure for the past year an estimated \$5,000,000 which is really attributable to the operations of many prior years. Other increases in ordinary expenditure were of minor significance.

Fortunately I am also able to report a number of decreases in ordinary expenditure. Of these the most important were declines of \$2,134,000 in ordinary expenditures on public works, \$1,306,000 in the cost of operations of the marine branch of the Department of Transport, and \$5,292,000 in interest paid on public debt. This last-named decrease in annual interest charges is one to which I will have occasion to refer later.

CAPITAL EXPENDITURES

Total expenditures charged to capital account amounted to \$4,430,000, an increase of \$938,000 over the previous year. Of this amount \$4,359,000 was spent for public works construction.

SPECIAL EXPENDITURES

The next category of expenditures which I wish to discuss is that important group of items which are classified as Special, and which this year, as last year, relate solely to disbursements made for unemployment relief purposes. The aggregate of these expenditures for the year 1937-38 amounted to \$68,532,000, a decrease of \$9,472,000 from the previous year.

Direct grants in aid to provinces declined from \$28,930,000 in 1936-37 to \$19,493,000 in 1937-38, and the dominion's share of joint dominion-provincial projects, including transportation facilities into mining areas, decreased from \$13,913,000 to \$10,165,000. The total cost of public works and other projects sponsored by the dominion alone amounted to \$13,911,000 last year as compared with \$23,554,000 during the preceding year.

The largest single item of special expenditures, however, was necessitated by the disastrous drought in Saskatchewan and Alberta to which reference has already been made. To meet the emergent and unforeseen problems created by this renewed drought condition, the dominion government felt obligated to appropriate funds by governor general's warrants in order to pay the expenditures involved in purchasing and distributing feed and fodder for live stock in the drought-stricken areas, and in providing direct relief to farmers living in these areas. Agreements were entered into with the provinces of Saskatchewan and Alberta under which the dominion agreed to bear 100 per cent of the cost of direct relief in the drought areas as defined, and 100 per cent of the cost of feed and fodder for live stock, including the net freight charges incurred on live stock shipped from the drought areas to suitable feeding ground and return therefrom. Arrangements were also made for the marketing of surplus live stock which cost the dominion treasury the sum of \$337,000. The amount spent for direct relief was \$11,925,000 in the drought area; for feed and fodder \$11,352,000; and for the purchase and distribution of food-stuffs \$971,000. The total of these special expenditures for western drought area relief amounted to \$24,585,000, which compared with an expenditure of only \$8,751,000 for similar purposes in the fiscal year 1936-37. Of this total, the sum of \$19,232,000 was expended from the moneys provided by governor general's warrants.

The following table which I will place on Hansard compares the expenditures made for direct relief and various unemployment relief projects during each of the last two fiscal years:—

UNEMPLOYMENT RELIEF EXPENDITURE

	1936-37	1937-38
	\$	\$
Grants-in-aid to Provinces.....	28,929,774	19,493,000
Dominion's share of joint Dominion-Provincial Projects.....	13,912,623	10,165,000
Railway Maintenance Works.....	2,662,084	—
Dominion Projects:—		
Department of Public Works.....	10,043,785	7,098,000
Department of National Defence.....	3,746,849	75,000
National Harbours Board.....	4,733,256	1,565,000
Department of Mines and Resources.....	2,182,794	1,474,000
Department of Agriculture.....	1,048,738	1,937,000
Department of Transport.....	1,152,035	882,000
Miscellaneous and Sundry Departments.....	840,773	1,258,000
Special Drought Area Relief:—		
Direct Relief.....	5,143,658	11,925,000
Agricultural Relief (feed and fodder and freight on live stock).....	3,607,333	11,689,000
Food Stuffs.....	—	971,000
	78,003,702	68,532,000

GOVERNMENT OWNED ENTERPRISES

The next main category of expenditures to which I wish to call attention comprises the losses of, and non-active advances to, government owned enterprises which are operated as separate corporations.

Canadian National Railway System

Operating revenues of the Canadian National Railways amounted to \$198,396,000, an increase of \$11,786,000, or 6.3 per cent over the corresponding figure for 1936, in spite of the falling off in grain traffic in the late months of last year resulting from the crop failure in western Canada.

Operating expenses of the railway increased by \$9,311,000 or 5.4 per cent, to \$180,789,000, although wage cuts were partially restored in 1937, the increase in the railway's payroll amounting to \$6,584,000. This moderate increase in operating expenditures for the higher volume of traffic carried, compared favourably with the showing made last year by other railway systems on this continent.

The net revenue available for interest on the railway's debt was \$8,287,000 compared with \$6,409,000 in the preceding year. After payment of interest charges of \$50,633,000, including \$1,685,000 to the government on capital advances not paid in previous years, there was a net income deficit of \$42,346,000 for the year, a decrease of approximately a million dollars from the comparable figure for 1936.

Under the provisions of the Canadian National Railways Capital Revision Act, certain changes were required to be made in the books of the dominion. These reflected the transfer to the securities trust of certain indebtedness formerly held by the minister on behalf of his majesty in exchange for capital stock of the trust, together with other adjustments in non-active accounts which resulted in a net credit of \$1,023,000 as shown in the table of revenues. A recapitulation of these changes is given in the table which I now place on Hansard:

Adjustment in Public Accounts resulting from Canadian National Railways Capital Revision Act, 1937

Credit—

Non-active assets:

Railway accounts (old).....	\$ 25,607,393	
Railway accounts (loans non-active).....	655,527,456	
Investments in Canadian government railways.....	589,708	
		\$681,724,557

Active assets:

Canadian government railway stores and open accounts..	15,748,922
	\$697,473,479

Adjustment in Public Accounts resulting from Canadian National Railways Capital
Revision Act, 1937—*Conte.*

Debit—

Non-active assets:

Canadian National securities trust stock account.. . . .	\$269,325,706	
Canadian National stock account.. . . .	18,000,000	
Investment in Hudson Bay railway.. . . .	457,527	
		\$287,783,233

Active assets:

Canadian government railways working capital.. . . .	16,771,980	
Charges to consolidated fund.. . . .	392,918,266	
		\$697,473,479

The increase of \$1,023,058 in active assets shown by the above table is due to a transfer from Canadian government railways capital account to active assets—Canadian government railways working capital.

CANADIAN NATIONAL STEAMSHIPS

The operations of the Canadian National (West Indies) Steamships Limited in 1937 after payment of bond interest to the public but before depreciation and interest on government advances, resulted in a surplus of \$189,000, which was paid to the government in partial reimbursement of prior deficits and interest. The corresponding figure in 1936 was \$87,000.

An advance of \$16,000 was made to the company for capital improvements on vessels under its control. In addition to this non-active advance, the table of expenditure also shows a further amount of \$88,000 which represents an adjusting entry in connection with the 1936 surplus which was credited in 1936-37 to loans and advances, non-active.

HARBOUR COMMISSIONS

The operations of harbours under the new national harbours board again showed an improvement over the results obtained during the preceding year. Operating income for the calendar year 1937, after payments of interest to the public but before depreciation and interest payable to the government, totalled \$2,872,000 or an increase of \$598,000, as compared with 1936. This does not take into account the operations of the Prescott and Port Colborne elevators and of Churchill harbour, which were placed under the control of the board during 1937.

Government assistance to harbour commissions charged to expenditure during the fiscal year totalled \$2,272,000. Of this amount \$289,000 represented the operating deficit of the harbours at Quebec and at Churchill and of the elevator at Prescott. The remainder comprised non-active advances of \$367,000 for the deficit on the Jacques Cartier bridge at

Montreal, \$1,269,000 for retirement of obligations of the harbour commissions at Halifax and Saint John, and \$347,000 for capital purposes at Saint John, Three Rivers and Churchill.

In addition to the foregoing items an expenditure of \$1,565,000 on various works at certain of the harbours was made under authority of the special supplementary estimates and charged to special expenditures.

TRANS-CANADA AIR LINES

A new item of expenditure appeared for the first time last year in our accounts under the heading of government owned enterprises. This was the net deficit of the Trans-Canada Air lines for the period June 1st to December 31, 1937. The amount of the deficit contributed by the government and charged to expenditure was \$111,000.

To sum up, the total amount of assistance to the various government owned enterprises which was treated as expenditure in our accounts was \$44,833,000. For 1936-37 the total was \$44,218,000, the slightly smaller amount being accounted for by a substantial credit from Canadian National Steamships because of the winding up of the Canadian Government Merchant Marine. Advances to government owned enterprises which are treated as active assets I shall refer to later.

OTHER CHARGES

The final category of expenditures, namely, Other Charges, accounts for a total of only \$1,718,000 last year as compared with over \$19,000,000 in 1936-37. This is comprised of the usual write-offs of soldier and general land settlement loans and the old seed grain and relief accounts, amounting together to \$764,000, ascertained losses and concessions granted and credited to settlers' accounts

under the New Brunswick 500 British family settlement scheme, amounting to \$139,000, and the final charge to consolidated fund of \$805,000 of Manitoba treasury bills which were written down to non-active assets last year as the dominion's contribution to the voluntary debt adjustment program in that province. As the write-down to non-active assets took place last year, the charge to consolidated fund this year is offset by a corresponding credit.

SUMMARY OF EXPENDITURES

If we add together ordinary, capital and special expenditures as well as expenditures in connection with government owned enterprises and the other charges to which I have just referred, we find that the grand total of

expenditures for which the government is responsible aggregated \$530,467,000 during the fiscal year 1937-38. This is approximately \$2,000,000 less than the total for each of the two preceding fiscal years.

I wish again this year to place on Hansard a table showing the percentage distribution of revenues and expenditures, that is to say, the percentage which each major source of revenue and each major item of expenditure bears to our total revenue as well as to our total expenditure. This table is subject to the same defects to which I called attention last year, but with the new form of estimates which we introduced this year I am confident that in future years most, if not all, of these defects can be removed.

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1937-38 (000 omitted)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expenditures
	\$	\$	\$
Ordinary Revenue—			
Income Tax.....	120,366	23.29	22.69
Customs Duties.....	93,456	18.09	17.62
Excise Duties.....	52,037	10.07	9.81
Sales Tax.....	138,054	26.72	26.03
Manufactures, Importation, stamp taxes, etc.....	42,765	8.28	8.06
Other tax revenues.....	1,974	0.38	0.37
Total Revenue from taxes.....	448,652	86.83	84.58
Non-tax Revenues.....	61,647	11.93	11.62
Total Ordinary Revenues.....	510,299	98.76	96.20
Special Receipts and Credits.....	3,009	0.59	0.57
Other Receipts and Credits—			
Refunds of capital expenditures and receipts on non-active account.....	3,384	0.65	0.64
Grand Total Revenues.....	516,692	100.00	97.41

Expenditures	Amount (estimated)	Percentage of total Expenditures	Percentage to total Revenues
	\$	\$	\$
Ordinary Expenditures—			
Interest on public debt.....	132,118	24.91	25.57
Cost of loan flotations—			
Amortization of bond discount, etc.....	4,555	0.86	0.88
Charges of management.....	202	0.04	0.04
Total public debt charges.....	136,875	25.81	26.49
Subsidies and special grants to Provinces.....	21,210	4.00	4.10
Old Age Pensions.....	28,653	5.40	5.55
Civil Pensions and Superannuation charges.....	995	0.19	0.19
Pensions and after-care of soldiers—			
Pensions, War and military.....	42,240	7.96	8.18
Treatment, and after-care of returned soldiers.....	12,152	2.29	2.35
Total.....	54,392	10.25	10.53

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1937-38—*Concluded*
(000 omitted)

Expenditures	Amount (estimated)	Percentage of total Expenditures	Percentage to total Revenues
	\$	\$	\$
Ordinary Expenditures— <i>Concluded</i>			
Agriculture.....	9,017	1.70	1.74
Fisheries.....	1,850	0.35	0.36
Legislation.....	2,309	0.44	0.45
Mines and Resources.....	13,573	2.56	2.63
National Defence.....	32,760	6.17	6.34
Post Office.....	33,762	6.36	6.53
Public Works.....	12,385	2.33	2.40
Transport.....	14,916	2.81	2.89
All other.....	48,257	9.10	9.34
Total Ordinary Expenditures.....	410,954	77.47	79.54
Capital Expenditures—			
Railways.....	71	0.01	0.01
Public Works.....	4,359	0.83	0.85
Total Capital Expenditures.....	4,430	0.84	0.86
Special Expenditures—			
Grants-in-aid to Provinces.....	19,493	3.67	3.77
Dominion Projects.....	13,911	2.62	2.73
Western Drought Area Relief.....	24,585	4.64	4.76
Miscellaneous.....	10,543	1.99	2.00
Total Special Expenditures.....	68,532	12.92	13.26
Government Owned Enterprises—			
Losses charged to Consolidated Fund—			
Canadian National Railways.....	42,346	7.98	8.20
National Harbours Board and Trans-Canada Air Lines.....	400	0.08	0.08
Loans and Advances Non-active—			
National Harbours Board and Canadian National Steamships.....	2,087	0.39	0.40
Total Government Owned Enterprises.....	44,833	8.45	8.68
Other Charges—			
Write-down of assets.....	1,718	0.32	0.32
Grand Total Expenditures.....	530,467	100.00	102.66

Over-All Deficit

As I have reported our total revenues at \$516,692,000 and our total expenditures at \$530,467,000, it is apparent that the over-all deficit, in other words, the increase in net debt, for the fiscal year which ended on March 31 last, was \$13,775,000.

While naturally I am disappointed to have to report any deficit, I believe there is cause for gratification over this close approach to a balanced budget after eight years of very large deficits. It will be recalled that for 1936-37 the realized deficit was \$77,851,000 and that when I delivered the budget speech last year I did not venture to forecast a deficit for 1937-38 of less than \$35,000,000. That we have done so much better than that forecast is all the more gratifying when we consider the abnormal item of \$5,000,000 added to the

annuities reserve and the substantial unanticipated increase in our expenditures resulting from the crop failure in western Canada. As I have already indicated, the increase in our special expenditures resulting from intensified drought conditions was over \$20,000,000, and the increase in the C.N.R. deficit arising from this cause was at least \$7,000,000. Had it not been for this unfortunate catastrophe, it is clear that to-day I would have been able to report an over-all surplus.

The progress which this government has made in approaching its objective of a balanced budget within the shortest practicable period is indicated by the fact that, while the over-all deficit in our first year, 1935-36, was \$159,989,000, the deficit was reduced to \$77,851,000 in 1936-37, and to \$13,775,000 during the past fiscal year.

Loans and Investments

Active Assets

In addition to the expenditures for the year, as outlined, we should also take into account loans and investments which are treated as active assets in the public accounts. For the year under review, the transactions in loans and investments resulted in a net credit to the dominion treasury of \$4,202,000 as compared with a net debit during 1936-37 of \$21,457,000. In other words, total repayments of loans and advances made in previous years exceeded new advances made during the year by a substantial amount.

LOANS TO PROVINCES

The total of loans made to the four western provinces for relief purposes during the fiscal year 1937-38 was slightly higher than the total advanced in 1936-37. The net amount of such loans was \$16,298,611 which compares with \$15,462,477 made during the preceding fiscal year. The Unemployment and Agricultural Assistance Act of 1937 restricted such assistance to a maximum amount to be measured by the provincial share of the cost of unemployment relief and relief projects incurred under agreements with the dominion entered into pursuant to the act. Further

more the terms of the act required any province desiring assistance by way of loans to establish the necessity therefor by the submission of detailed statements of the financial position of the province.

As at March 31, 1938, loans made to the four western provinces under authority of the various relief acts were outstanding in the dominion's books to an aggregate amount of approximately \$129,800,000. The totals for the various provinces, in round figures, were as follows: Manitoba, \$22,285,000; Saskatchewan, \$48,350,000; Alberta, \$26,079,000; and British Columbia, \$33,087,000. In the case of Manitoba, the total which I have given is the amount outstanding after deducting the sum of \$804,897 written off in accordance with vote 392 of the further supplementary estimates for 1936-37, and in the case of Saskatchewan the total given is after deducting the sum of \$17,682,158 written down to non-active assets pursuant to vote 393 of the further supplementary estimates for 1936-37.

I desire now to place on Hansard tables showing the net loans made to each province during each of the last seven fiscal years, and a classification of such loans on the basis of the general purposes for which the loans were obtained.

NET LOANS TO PROVINCES UNDER RELIEF ACTS BY FISCAL YEARS

	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	\$	\$	\$	\$	\$
1931-32	2,788,812	10,934,341	4,097,740	4,813,124	22,634,017
1932-33	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933-34	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934-35	2,874,631	10,141,014	1,926,476	7,966,714	22,908,835
1935-36	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936-37	4,626,000	6,058,879	805,198	3,972,400	15,462,477
1937-38	2,959,188	11,604,787	193,000	1,541,636	16,298,611
	23,090,044	66,032,295	26,079,198	33,086,716	148,288,253
Less reductions as provided by votes 392 and 393 of further supplementary estimates 1936- 37.....	804,897	17,682,158	—	—	18,487,055
	22,285,147	48,350,137	26,079,198	33,086,716	129,801,198

NET LOANS TO PROVINCES UNDER RELIEF ACTS CLASSIFIED AS TO PURPOSE

	Loans specifically to meet maturing obligations and interest	Loans specifically for agricultural relief including purchase of seed grain	Loans for Provincial purposes generally including direct relief and public works	Total
	\$	\$	\$	\$
Manitoba.....	1,139,455	234,819	21,715,770	23,090,044
Saskatchewan.....	3,934,341	15,134,633	46,963,321	66,032,295
Alberta.....	8,577,000	3,152,748	14,349,450	26,079,198
British Columbia.....	9,818,845	—	23,267,871	33,086,716
	23,469,641	18,522,200	106,296,412	148,288,253
Less reductions as provided by votes 392 and 393 of further supplementary estimates 1936-37, Manitoba \$804,897 and Saskatchewan \$17,682,158.....				18,487,055
				129,801,198

LOANS TO CANADIAN NATIONAL RAILWAY SYSTEM

In addition to paying the net income deficit of the Canadian National Railways, the government advanced to the Railway \$11,035,000 for capital purposes and for the retirement of miscellaneous obligations. This amount, together with advances of \$41,358,000 made for similar purposes in the years 1932 to 1936, were repaid to the extent of \$50,000,000 out of the proceeds of a dominion guaranteed bond issue marketed in January, 1938. This issue took the form of \$20,000,000 2 per cent four-year bonds yielding 2.20 per cent and \$30,000,000 3 per cent thirteen-year bonds yielding 3.29 per cent. An amount of \$2,393,000 of temporary loans remaining unpaid is carried on the books of the dominion as an active asset.

There was also advanced to the Canadian National Railway Company \$3,390,000 for the construction of the Senneterre-Rouyn branch line, \$1,500,000 for the purchase of the capital stock of the Trans-Canada Air Lines and \$7,040,000 as a temporary loan pending the passing of the 1938 budget of the Railway Company. A repayment of \$394,000 was received on account of loans made in prior years for betterment and repairs to railway equipment. The net result of these various transactions was a reduction in government loans to the Canadian National Railways of \$27,429,000, but an increase in our indirect liabilities of \$50,000,000.

OTHER LOANS AND INVESTMENTS

During the fiscal year, the government's purchases of Canadian Farm Loan Board 3½

per cent bonds amounted to \$3,550,000, and of the board's capital stock to \$282,000. An amount of \$10,000 was advanced to the board as initial capital under the authority of the Fisherman's Loan Act. A further amount of \$6,000 was advanced to the board to cover losses on operations in respect of loans made under the provisions of part II of the Canadian Farm Loan Act. As at March 31, 1938, the total investment by the Government of Canada in the farm loan board had reached \$31,598,000.

An amount paid out by the government during 1937-38 on loans approved under the terms of the Dominion Housing Act totalled \$1,679,000. The dominion's share of such loans is not in excess of 20 per cent of the lending value of each property financed under the act and is paid out from time to time as required after loans are approved.

During the year \$1,891,000 was advanced to the National Harbours Board for the ports of Montreal and Vancouver for capital purposes. These loans are considered as active assets, as both these ports have paid a substantial part of the interest accrued on their obligations held by the government.

A loan of \$500,000 was made to the Canadian Broadcasting Corporation to assist in the building of two broadcasting stations.

Owing to the winding up of the Canadian Government Merchant Marine, it was necessary to provide \$450,000 by way of loan to the Canadian National (West Indies) Steamships Limited for working capital purposes.

Loans to the Canadian Pacific Railway Company made in previous years for relief purposes were reduced by \$211,000. In addition, railway equipment was purchased to a value of \$89,000 which in turn was leased to the Canadian Pacific Railway Company.

The dominion's investment in the government of Roumania's bonds was increased by \$359,000 due to the receipt of bonds representing an adjustment for interest unpaid in 1931.

A repayment of \$1,422,000 was received during the year in reduction of loans to provinces for housing purposes, made under the Act of 1919. The increase in active loans to the soldier settlement board amounted to \$505,000, which was more than offset by a write-off of \$750,000 to consolidated fund.

The following is a statement of the amount of loans and investments made during the last fiscal year which are regarded as active assets, and the comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE

(000 omitted)

	1933-34	1934-35	1935-36	1936-37	Estimated 1937-38
	\$	\$	\$	\$	\$
Canadian National Railways.....	2,628	16,579	3,689	4,573	Cr. 27,429
Canadian Pacific Railway.....	—	—	1,270	555	Cr. 211
Canadian Farm Loan Board.....	416	353	7,933	10,991	3,848
Dominion Housing Loans.....	—	—	82	995	1,679
National Harbours Board.....	1,677	393	1,438	323	1,891
Provinces—under relief legislation.....	13,115	22,909	42,304	15,462	16,299
Provinces—housing program 1919.....	Cr. 213	Cr. 397	Cr. 3,003	Cr. 2,038	Cr. 1,422
Railway equipment purchased.....	—	—	7,244	5,120	89
Soldier and general land settlement.....	Cr. 726	Cr. 102	Cr. 566	Cr. 489	505
Roumanian government.....	—	—	—	—	359
Bank of Canada—Class "B" shares.....	—	—	—	5,100	—
Canadian Broadcasting Corporation.....	—	—	—	—	500
Canadian National (West Indies) Steamships.....	—	—	—	—	450
Net Advances.....	16,897	39,735	60,391	40,592	Cr. 3,442
Less write-offs—					
Soldier and general land settlement loans.....	-1,766	-469	-488	-628	-750
Canadian Farm Loan Board—capital stock.....	—	—	—	-20	-10
Write-down to non-active assets—					
Manitoba and Saskatchewan treasury bills.....	—	—	—	-18,487	—
Net change in active investments.....	15,131	39,266	59,903	21,457	Cr. 4,202

Loan Flotations

The fiscal year under review witnessed a heavy amount of government financing. Obligations of the government falling due during the year, including \$52,000,000 of sterling issues maturing on July 1, 1938 which it was considered wise to provide for by prior financing, totalled \$321,920,508 and both my predecessor and myself had looked forward, perhaps at times with a little misgiving, to the magnitude of the task which the year 1937-38 would bring. I am now pleased to be able to report that all this

financing was successfully accomplished, and the maturing obligations were paid off or refunded at a substantial interest saving to the country. New dominion obligations were floated to a total amount of \$295,460,138, and the maturing obligations were redeemed out of the proceeds of these new issues and out of cash of \$26,460,370 supplied directly from the treasury.

In the table which I now place on Hansard full details of the amounts and terms of each of the new issues and of the prices at which they were sold are set forth.

LOAN FLOTATIONS, 1937-1938

Issue Date	Maturity Date	Interest Rate	Where Payable	Price		Yield at		Amount Issued	Purpose to Refund	
				To Public	To Government*	Public Price	Price to Government		Amount	Int. Rate
1937		%				%	%			%
June 1....	June 1, 1939	1	Canada	99.25	99.125	1.38	1.45	\$20,000,000		
June 1....	June 1, 1942	2	Canada	98.25	98.00	2.375	2.43	60,000,000	\$113,500,000	5½
June 1....	June 1, 1949	3½	Canada	99.00	98.25	3.35	3.43	33,500,000		
July 1....	July 1, 1938	4	Canada (School Lands)	—	100.00	—	4.00	33,293,471	33,293,471	4
Nov. 15....	Nov. 15, 1944	2½	Canada	98.50	98.125	2.74	2.80	20,000,000		
Nov. 15....	Nov. 15, 1951	3½	Canada	99.00	98.25	3.34	3.41	60,000,000	122,799,800	5½
Dec. 1....	June 1, 1939	1	Canada	99.125	99.00	1.59	1.68	20,000,000		
1938										
July 1**..	July 1, 1963	3½	London	98.50	97.18	3.34	3.42	48,666,667	37,271,230	3
									15,056,007	3½
								\$295,460,138	\$321,920,508	

*Price to public, less commission to underwriters and dealers.

**Issued in January, 1938, to provide funds to pay off bonds aggregating \$52,327,237, which are to mature in London on July 1, 1938.

As a result of these refunding operations during the past fiscal year the government has effected a saving in interest charges of \$6,342,000 per year. Since the present government took office in October, 1935, the refunding operations which have been carried out have effected an annual saving of over \$10,200,000. In addition the calendar year 1937 saw the elimination of the last two tax-free bond issues sold to the public during the war period. These two issues—the five per cents maturing on March 1st, 1937, and the five and one-halves maturing on December 1st, 1937—had been outstanding in total amount of over \$326,000,000, and they required an annual interest payment of over \$17,485,000. The fact that these tax-free issues have been replaced by taxable issues means that in future years our income tax revenues should be substantially increased. It is impossible to determine precisely what this increase should be, but if we assume that the cash proceeds of the two tax-free issues were reinvested by their former holders to yield an average return of 3½ per cent and if we assume that these holders paid an average rate of tax on this income as low as the corporate rate, namely, 15 per cent, the estimated annual increase in income tax revenues would be over \$1,700,000.

During the year we continued the established practice of offering fortnightly issues of three months' treasury bills. While the primary purpose of these offerings is to assist in the effective functioning of the short-term money market by keeping available at all times a reasonable amount of liquid credit instruments of the highest grade, they also

serve, of course, to provide a revolving fund of cash which is available at very low interest rates. The last issue of treasury bills during the fiscal year 1937-38 was sold at what was up to that time the record low yield of .524 per cent. Since that time, however, rates have tended still further downwards, and our latest offering, dated June 1st, was sold on a yield basis of .466 per cent. The average cost to the treasury of funds obtained by the twenty-four offerings made during the fiscal year was a yield basis of .689 per cent. The total amount of treasury bills outstanding on March 31st, 1938, was \$150,000,000, the same as was outstanding a year previously.

National Debt

As of March 31st, 1938, the outstanding unmatured funded debt and treasury bills of the dominion, less sinking funds, amounted to \$3,248,900,000. Adding to this amount \$287,400,000 of other liabilities, consisting chiefly of annuity, insurances and superannuation funds, post office saving deposits and certain trust and contingent accounts, we arrive at gross liabilities for the dominion of \$3,536,300,000. Active assets, including cash on hand and investments, amounted to \$438,573,000. After deducting the latter figure from the gross liabilities we reach an estimated net debt of \$3,097,727,000 as at the close of the fiscal year. The increase over last year of \$13,775,000 represents, of course, the amount of the over-all deficit to which I have previously made reference.

I now place on Hansard a statement showing the assets and liabilities of the dominion as estimated as at March 31st, 1938.

LIABILITIES—MARCH 31, 1938
(estimated)

Bank Circulation Redemption Fund.....	\$	5,967,000	
Post Office money orders, postal notes, etc., outstanding.....		3,665,000	
Post Office Savings Bank Deposits.....		22,588,000	
Insurance and Superannuation Funds—			
Government Annuities.....	\$	103,703,000	
Insurance Fund, Civil Service.....		11,585,000	
Insurance Fund, Returned Soldiers.....		16,827,000	
Retirement Fund.....		9,126,000	
Superannuation Fund.....		56,151,000	
			197,392,000
Trust Funds—			
Indian Funds.....		14,082,000	
Common School Funds.....		2,677,000	
Contractors' Securities Deposits.....		1,157,000	
Other Trust Funds.....		3,036,000	
			20,952,000
Contingent and Special Funds.....			2,981,000
Outstanding cheques.....			9,835,000
London Loan Suspense (registered stock 1958-63).....			8,988,000
Province Debt Accounts.....			9,624,000
Interest due and outstanding.....			1,680,000
Funded Debt—			
Unmatured less sinking funds.....		3,248,900,000	
Matured and outstanding.....		3,678,000	
			3,252,578,000
	\$		3,536,300,000

ASSETS—MARCH 31, 1938
(estimated)

Active Assets—			
Cash, working capital advances and other current assets.....	\$	16,665,000	
Bank of Canada, class "B" shares.....		5,100,000	
Gold Bullion account.....		16,000	
Loans to Provinces—			
Housing.....	\$	3,308,000	
Relief Acts.....		129,801,000	
Subsidy Account, Alberta.....		469,000	
			133,578,000
Loans to Foreign Governments—			
Roumania.....		6,525,000	
		24,329,000	
			30,854,000
Loans to National Harbours Board—			
Montreal.....		60,114,000	
		24,977,000	
			85,091,000
New Westminster Harbour Commissioners.....			275,000
Dominion Housing Act—Loans.....			2,755,000
Canadian Farm Loan Board.....			31,598,000
Soldier and General Land Settlement.....			42,233,000
Loan to Canadian Broadcasting Corporation.....			500,000
Loan to Canadian National (West Indies) Steamships.....			450,000
Seed Grain and Relief Advances.....			2,364,000
Canadian Government Railways working capital.....			16,772,000
Deferred debits—			
Unamortized discount and commission on loans.....	\$	41,209,000	
			328,000
Railway Accounts—			
Canadian National Railways—			
Advances, Financing and Guarantee Act, 1937.....		2,393,000	
Senneterre—Rouyn Railway Line.....		3,390,000	
Trans-Canada Air Lines.....		1,500,000	
Temporary Loans.....		7,040,000	
Loans for betterment or repair of railway equipment.....		395,000	
Purchase of equipment—leased.....		6,723,000	
			21,441,000
Canadian Pacific Railway—			
Loan for betterment or repair of railway equipment.....		1,170,000	
Loan for wages on special works program.....		444,000	
Purchase of equipment—leased.....		5,730,000	
			7,344,000
	\$		438,573,000
Net debt, March 31, 1938.....	\$		3,097,727,000

ASSETS MARCH 31, 1938—*Concluded*

(estimated)

Net Debt represented by—

A. Expenditure and non-active assets, March 31, 1938 (estimated).

Capital expenditures—

Public Works—

Canals.....	240,350,000	
Railways.....	429,691,000	
Public buildings, harbour and river improvements.....	286,507,000	
Military property and stores.....	12,050,000	
Territorial accounts.....	9,896,000	
		\$ 978,494,000

Loans non-active—

Canadian National Railways Security Trust.....	269,326,000
Canadian National Railways Stock.....	18,000,000
Canadian National Steamships.....	13,858,000
Railway Accounts (old).....	62,791,000
Loans to Province of Saskatchewan (Relief Acts).....	17,682,000

National Harbours Board—

Quebec.....	26,293,000
Chicoutimi.....	3,796,000
Churchill.....	9,000
Halifax.....	10,468,000
Saint John.....	16,003,000
Three Rivers.....	3,554,000
Montreal (Jacques Cartier Bridge).....	3,313,000
	63,436,000

Seed Grain and Relief advances..... 478,000

Soldier and General Land Settlement..... 16,653,000

Miscellaneous advances..... 3,536,000

B. Consolidated Fund—

Balance, consolidated fund brought forward from March 31, 1937.....	1,250,051,000	
Excess of expenditure over revenue, fiscal year ended March 31, 1938 (estimated).....	10,503,000	
Charges authorized by C.N.R. Capital Revision Act, 1937...	392,919,000	
		1,653,473,000
		\$ 3,097,727,000

The following table, which I also wish to place on Hansard, gives a statement of the unmatured funded debt and treasury bills of the dominion outstanding as at March 31, 1938, and the annual interest charges thereon:

**UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1938 AND
ANNUAL INTEREST CHARGES**

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1938, July 1.....	4	Canada	33,293,470	85	1,331,738	83
July 1.....	3	London	8,071,230	16	242,136	90
July 1.....	3	London	18,250,000	00	547,500	00
July 1.....	3	London	10,950,000	00	328,500	00
July 1.....	3½	London	15,056,006	66	526,960	23
Oct. 15.....	2	Canada	90,000,000	00	1,800,000	00
1939, Jan. 1.....	2	New York	40,000,000	00	800,000	00
June 1.....	1	Canada	20,000,000	00	200,000	00
June 1.....	1	Canada	20,000,000	00	200,000	00
Oct. 15.....	4	Canada	47,269,500	00	1,890,780	00
Oct. 15.....	2½	Canada	7,933,000	00	198,325	00
Nov. 15.....	2	Canada	20,000,000	00	400,000	00
1940, Mar. 1.....	3	Canada	115,013,636	82	3,450,409	10
June 1.....	1½	Canada	80,000,000	00	1,200,000	00
Sept. 1.....	4½	Canada	75,000,000	00	3,375,000	00
1941, Mar. 15.....	1	Canada	45,000,000	00	450,000	00
Nov. 15.....	5	Canada	141,663,000	00	7,083,150	00
1942, June 1.....	2	Canada	60,000,000	00	1,200,000	00
Oct. 15.....	3	Canada	40,409,000	00	1,212,270	00
1943, June 1.....	2½	Canada	20,000,000	00	500,000	00
Oct. 15.....	5	Canada	147,000,100	00	7,350,005	00
1944, Jan. 15.....	2½	New York	30,000,000	00	675,000	00
Oct. 15.....	4½	Canada	50,000,000	00	2,250,000	00
Nov. 15.....	2½	Canada	20,000,000	00	500,000	00
1945, Aug. 15.....	2½	New York	76,000,000	00	1,900,000	00
Oct. 15.....	4	Canada	88,337,500	00	3,533,500	00
1946, Feb. 1.....	4½	Canada	45,000,000	00	2,025,000	00
1947, Oct. 1.....	2½	London	4,888,185	64	122,204	64
1949, June 1.....	3½	Canada	33,500,000	00	1,088,750	00
Oct. 15.....	3½	Canada	138,322,000	00	4,841,270	00
1950, July 1.....	3½	London	137,058,841	00	4,797,059	43
1951, Nov. 15.....	3½	Canada	60,000,000	00	1,950,000	00
1952, May 1.....	5	New York	100,000,000	00	5,000,000	00
Oct. 15.....	4	Canada	56,191,000	00	2,247,640	00
1955, May 1.....	3½	London	48,666,666	67	1,581,666	67
June 1.....	3	Canada	40,000,000	00	1,200,000	00
June 1.....	3	Canada	55,000,000	00	1,650,000	00
1956, Nov. 1.....	4½	Canada	43,125,700	00	1,940,656	50
1957, Nov. 1.....	4½	Canada	37,523,200	00	1,688,544	00
1958, Sept. 1.....	4	London	73,000,000	00	2,920,000	00
Nov. 1.....	4½	Canada	276,687,600	00	12,450,942	00
1959, Nov. 1.....	4½	Canada	289,693,300	00	13,036,198	50
1960, Oct. 1.....	4	London	93,926,666	66	3,757,066	67
Oct. 1.....	4	New York	100,000,000	00	4,000,000	00
1961, Jan. 15.....	3½	New York	48,000,000	00	1,560,000	00
1966, June 1.....	3½	Canada	54,703,000	00	1,777,847	50
Perp. Sept. 15.....	3	Canada	55,000,000	00	1,650,000	00
1967, Jan. 15.....	3	New York	55,000,000	00	1,650,000	00
Demand.....	6	Canada	4,000	00	240	00
Demand.....	6	Canada	11,827	40	709	64
Demand.....	3½	Canada	9,600	00	336	00
Treasury Bills due April 1, 1938...	.744	Canada	25,000,000	00	186,000	00
Treasury Bills due April 14, 1938...	.726	Canada	25,000,000	00	191,500	00
Treasury Bills due April 30, 1938...	.700	Canada	25,000,000	00	175,000	00
Treasury Bills due May 16, 1938...	.648	Canada	25,000,000	00	162,000	00
Treasury Bills due June 1, 1938...	.584	Canada	25,000,000	00	146,000	00
Treasury Bills due June 15, 1938...	.524	Canada	25,000,000	00	131,000	00
			3,314,558,031	86	117,062,906	61
Payable in Canada.....			2,455,690,435	07	74.09%	
Payable in New York.....			449,000,000	00	13.55%	
Payable in London.....			409,867,596	79	12.36%	
			3,314,558,031	86	100	%
Less bonds and stocks of the above loans held as sinking funds....			65,657,699	66		
			3,248,900,332	20		

Indirect Liabilities

Bonds and debenture stocks bearing the guarantee of the dominion outstanding in the hands of the public at the close of the last fiscal year amounted to \$1,050,608,000. Canadian National Railway guaranteed obligations increased by \$47,577,000 to \$1,019,947,000 due to the issue of \$50,000,000 guaranteed bonds to repay temporary loans obtained by the railway from the government for capital purposes, less retirements of serial issues in the amount of \$2,423,000. Guaranteed bonds of harbour commissions and steamships decreased by \$304,000 during the year under review.

There are also outstanding other contingent liabilities arising out of guarantees given under relief and other acts. During the fiscal year under review the only new guarantee was that under The Saskatchewan Seed Grain Loans Guarantee Act, 1936. Under provincial statutes the province of Saskatchewan guaranteed loans made by chartered banks to municipalities or to the Department of Municipal Affairs for seed grain assistance to farmers during the crop year 1936. The provincial guarantee is in turn supplemented by a dominion guarantee, the amount of which at March 31, 1938, was \$2,555,000.

A similar arrangement was made under the terms of The Seed Grain Loans Guarantee Act, 1937, to provide for seed grain assistance to farmers in the provinces of Manitoba, Saskatchewan and Alberta during the crop year 1937. Pending the submission of definitive documents no formal guarantee has yet been given by the dominion. The amounts involved for each province are approximately as follows: Manitoba, \$130,000, Saskatchewan, \$6,498,000 and Alberta, \$911,000.

There were also outstanding at the close of the fiscal year guaranteed bank loans to

the Canadian Wheat Board in the amount of \$489,000 and to the Canadian Cooperative Wheat Producers Limited in the amount of \$169,000 for the purchase of oats for the account of the province of Saskatchewan. The guarantee of the dominion to the Winnipeg Grain and Produce Clearing Association Limited, referred to in previous budgets, is still outstanding, although trading by the board in futures is very limited. No liability in connection with the guarantee accrues from day to day as margin deposits are made to the clearing association daily.

At March 31, 1938, home improvement loans had been granted by banks and approved lending institutions to home owners in the amount of \$14,526,000. The dominion's contingent liability with respect to these home improvement loans is limited to 15 per cent of the aggregate of such loans made by each approved lending institution. As claims for losses have been paid in the amount of \$2,500, our contingent liability as at March 31, 1938, was \$2,176,400. While it is far too early to form any judgment as to what our ultimate losses may be, it is encouraging to note that at the end of the first 17 months of the operation of the plan, the loss ratio is insignificant, only 11 loss claims for \$2,500 having been paid out of 37,108 loans in the total amount of \$14,526,000. In terms of dollar losses to total volume of loans, this means a loss ratio over the seventeen months of only slightly over 1/60th of 1 per cent.

I shall now place on Hansard a statement of the principal amount of bonds and debenture stocks and other indebtedness guaranteed by the dominion outstanding at March 31, 1938.

BONDS AND DEBENTURE STOCKS GUARANTEED BY DOMINION GOVERNMENT AS AT MARCH 31, 1938

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$
May 1, 1938.....	Canadian National.....	2	13,400,000 00
Aug. 1, 1938.....	Canadian National Equipment "G".....	5	750,000 00
Jan. 15, 1942.....	Canadian National.....	2	20,000,000 00
Feb. 15, 1943.....	Canadian National.....	2	55,000,000 00
Feb. 1, 1944.....	Canadian National.....	2½	15,500,000 00
May 1, 1944.....	Canadian National.....	3	35,000,000 00
July 1, 1946.....	Canadian Northern.....	6	24,238,000 00
Apr. 1, 1948.....	New Westminster Harbour Commissioners.....	4½	700,000 00
Dec. 15, 1950.....	Canadian National.....	3	50,500,000 00
Sept. 1, 1951.....	Canadian National.....	4½	50,000,000 00
Feb. 1, 1952.....	Canadian National.....	3	20,000,000 00
Aug. 1, 1952.....	Saint John Harbour Commissioners.....	5	667,953 04
Feb. 15, 1953.....	Canadian National.....	3	25,000,000 00
July 10, 1953.....	Canadian Northern.....	3	9,359,996 72

**BONDS AND DEBENTURE STOCKS GUARANTEED BY DOMINION GOVERNMENT
AS AT MARCH 31, 1938—Conc.**

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$
Feb. 1, 1954.....	Canadian National.....	5	50,000,000 00
Mar. 1, 1955.....	Canadian National (West Indies) Steamships Limited.....	5	9,400,000 00
June 15, 1955.....	Canadian National.....	4 $\frac{3}{4}$	50,000,000 00
Feb. 1, 1956.....	Canadian National.....	4 $\frac{3}{4}$	70,000,000 00
July 1, 1957.....	Canadian National.....	4 $\frac{3}{4}$	65,000,000 00
July 20, 1958.....	Canadian Northern.....	3 $\frac{3}{4}$	7,896,543 87
May 4, 1960.....	Canadian Northern Alberta.....	3 $\frac{3}{4}$	3,149,998 66
May 19, 1961.....	Canadian Northern Ontario.....	3 $\frac{3}{4}$	34,229,996 87
Jan. 1, 1962.....	Grand Trunk Pacific.....	3	34,992,000 00
Jan. 1, 1962.....	Grand Trunk Pacific.....	4	8,440,848 00
July 1, 1969.....	Canadian National.....	5	60,000,000 00
Oct. 1, 1969.....	Canadian National.....	5	60,000,000 00
Nov. 1, 1969.....	Harbour Commissioners of Montreal.....	5	19,000,000 00
Feb. 1, 1970.....	Canadian National.....	5	18,000,000 00
By drawings.....	Canadian National.....	2	23,282,663 80
Various dates 1938-54.....	City of Saint John Debentures assumed by Saint John Harbour Commission.....	Various	892,641 72
Perpetual.....	Grand Trunk Guaranteed Stock.....	4	60,833,333 33
".....	Grand Trunk Debenture Stock.....	5	20,782,491 67
".....	Great Western Debenture Stock.....	5	13,252,322 67
".....	Grand Trunk Debenture Stock.....	4	119,839,014 33
".....	Northern Railway of Canada Debenture Stock..	4	1,499,979 67
			1,050,607,784 35

Other Indebtedness Guaranteed

	Principal Amount Outstanding Mar. 31, 1938
Bank Advances, re Province of Manitoba Savings Office.....	\$ 6,875,932
Bank Advances, re Government of Newfoundland.....	625,000
Bank Advances, re Dominion Steel and Coal Corporation (order for rails).....	9,724
Province of Manitoba Treasury Bill.....	4,878,764
Province of British Columbia Treasury Bill.....	626,534
Bank Advances, re Canadian Co-operative Wheat Producers (Saskatchewan Oats Account).....	168,909
Bank Advances, re Canadian Wheat Board.....	488,965
Bank Advances, re Saskatchewan Seed Grain Loans.....	2,555,113
Guarantee of Home Improvement Loans (15 per cent of aggregate loans made) less claims paid.....	2,176,391
Deposits maintained as reserves by chartered banks in Bank of Canada.....	194,859,595

I now come to that part of the budget for which you have all more or less patiently waited.

III

BUDGET FORECAST 1938-39

I have already stated that the over-all deficit for the past fiscal year is estimated at \$13,775,000. In the budget a year ago, I forecast a deficit of \$35,000,000, and stated that in accordance with the government's definite program of attaining the final objective of a balanced budget at the earliest practicable date, I hoped to wipe out the deficit altogether during the current fiscal year. While we have been able to do very much better

than my forecast for 1937-38, conditions beyond our control have made it difficult, if not wholly impossible, to achieve the goal I had in mind for 1938-39.

The house will recall that the main and supplementary estimates, already submitted, call for total appropriations of \$524,600,000. If we can judge by the experience of previous years, the departments will be able to effect considerable savings in their appropriations, and these savings, judging from experience, should be more than sufficient to offset any additional expenditures that may be authorized. I believe, therefore, that I am safe in estimating that total expenditures for the current fiscal year will not exceed \$524,600,000.

Our revenue prospects for the full year will be greatly influenced by whether or not our hopes for a good wheat crop are realized and whether or not the current trend of business in the countries which constitute our chief markets show improvement during the next few months. However, two and one-half months of our current fiscal year have already elapsed and our revenues for this period provide a fairly good basis for estimating our total receipts for the year. On the basis of these partial returns and of a reasonable forecast of business prospects for the remainder of the year and allowing for the tax changes which I am about to announce, I estimate that for the year as a whole our aggregate revenue will approximate \$501,700,000 made up as follows:

Taxation revenue:

Customs duties.. . . .	\$ 82,000,000
Excise duties.. . . .	51,000,000
Income tax.. . . .	138,000,000
Sales tax.. . . .	125,000,000
Manufacturers', stamp, importation and other special taxes..	39,000,000
Banks and insurance companies..	1,950,000

Total taxation revenue.. . . \$436,950,000

Non-tax revenue:

Post office receipts.. . . .	\$ 35,000,000
Interest on investments.. . . .	13,500,000
Other.. . . .	13,250,000

Total non-tax revenue.. . . \$ 61,750,000

Total ordinary revenue.. . . \$498,700,000

Special receipts.. . . . 3,000,000

Grand total revenue.. . . . \$501,700,000

These estimates of revenue and expenditure indicate an estimated deficit for the current year of approximately \$23,000,000. I do not think it will be larger than this. It may indeed be substantially smaller, if the west produces a good crop, if the business trend in the United States and other important countries is reversed at an early date, and if our own construction industry takes full advantage of the opportunities now afforded to it. I may add that the results of such favourable developments will not be wholly realized until next year and not be fully reflected in the government accounts until the next budget.

In view of the current business situation, we have not thought it wise to attempt this year to wipe out a possible deficit of the moderate proportions I have indicated by imposing further burdens upon industry and upon the people. On the contrary in the tax changes which are being proposed we are trying in the first place to eliminate certain

anomalies and inequities and in the second place to make certain important adjustments designed to accelerate the forces making for business recovery.

Taxation Changes

Under the Income War Tax Act, no changes will be made in the rates of tax on individual and corporate incomes. Amendments to this act, however, will include a provision to allow Canadian companies a deduction in respect of lump sum contributions to employees' pension funds covering past years' services of employees, such deductions to be spread forward over a ten-year period. The government hopes that this concession will encourage the present tendency in industry to create pension funds for employees. Annuities received under the provisions of any will or trust will be made taxable. In respect of royalties paid abroad from sources within Canada, no deduction will be allowed on account of the amount of any such royalties passed on to another party. An amendment will also be made to assure that financial companies operating in the small loan field will in future be subject in all cases to the normal corporation tax rates. The gift tax provisions are to be amended in order to allow an exemption up to one-half of a person's taxable income less the amount of income tax paid. This is to meet the objection which has been raised in this house to the fact that the gift tax in its present form is unduly severe in its effects on gifts which were not made for the purpose of tax avoidance. At the same time, we propose to discourage still further the making of gifts for tax avoidance purposes by substantially increasing the rates applying to gifts in excess of the increased exemption. The new schedule of rates will be graduated from 5 per cent on gifts totalling \$25,000 or less, up to 15 per cent on gifts of \$1,000,000 and over.

Provision is also to be made to allow Canadian parent companies an exemption from corporation tax in respect of dividends received from wholly-owned non-resident subsidiaries if at least 75 per cent of the combined capital of the parent and subsidiary companies is employed abroad and if the country in which the subsidiary is located grants a like exemption to parent companies in respect of subsidiaries in Canada.

It is also proposed to insert a provision in the act designed to prevent taxpayers from effecting transactions, using persons or corporations abroad for the purpose of evading Canadian taxation and not for business reasons.

No changes are proposed in respect of rates of tax under the Excise Act.

Under the Special War revenue Act, one important change and several minor ones are proposed. The minor changes, include an amendment to exempt from the sales tax feed for all fur bearing animals, harness, harness parts and materials used in the manufacture thereof, ingredients used in making gopher poison, and materials for the repair of fishermen's boats. Another amendment provides that in future the special excise tax on tires and tubes will in no case be levied when the items in question are for original equipment of automotive vehicles including tractors, trucks, trailers and motor cycles.

I come now to the most important change in taxation which the government proposes. Starting to-morrow the major products used for the building of houses, will be given complete exemption from sales tax. It is proposed that this exemption from sales tax shall cover all lumber, sashes, doors, laths, and shingles; bricks, building tile, building blocks, cement, stone, plaster and lime; plaster boards, fibre board, insulating materials, building paper and wallpaper; paints, varnishes, white lead and paint oil; prepared roofings; glass for buildings; plumbing fixtures, not including piping and pipe fittings; furnaces for heating buildings; builders' hardware; and some other minor items. It will be realized, I am sure, that an exemption of the type here attempted presents considerable difficulties, and it was found impossible to provide specific exemption in respect of all the hundreds of various miscellaneous items entering into the construction of houses. It was necessary to make a selection but all the important materials which have their primary or predominant use in house-building are included. Accordingly, lumber, for example, although having many other uses, will be tax-exempt no matter for what purpose it is used. This will be the case with all the items exempted.

I believe the house will agree that this proposed tax change is highly constructive. Coupled with the various legislative measures which the government has already introduced, this tax reduction should act as a further powerful stimulus to the construction industry. If these various measures now before the house result in restoring normal construction activity, a large proportion of our remaining employable unemployed will go back on the payrolls of industry and to self-reliant citizenship. These important objectives are in my opinion ample justification for so radical a proposal. I need only add that the benefits of these tax reductions must be passed on to the consumer, and personally I am confident that the construction industry, for which so

much is being done, will rise to the occasion with a renewed efficiency and vigour worthy of the great opportunity now presented to it.

IV

TARIFF AND TREATY NEGOTIATIONS

For reasons which I believe will commend themselves to the house, I am not proposing any amendments to the customs tariff in the present budget resolutions. It is true that the government had hoped that it would be found feasible to deal with a new United States agreement as part of this year's budget. Circumstances, however, have compelled us to abandon that expectation and the government, therefore, is not proposing any changes in the Canadian tariff pending the satisfactory conclusion of the negotiations now in progress.

In the budget speech two years ago, I said, "Canada cannot give to-day and bargain to-morrow." It is even more true, Mr. Speaker, in the world as it is to-day that unilateral tariff reductions will not get the wider export markets which our products need and which the government is securing for them. Since the present administration came into office, Canada has been a contracting party to the two most comprehensive trade agreements that have been concluded since the great war. Our agreement with the United States in 1935 and our agreement with the United Kingdom in 1937 resulted in the reduction of effective duties on a wide range of Canadian imports. They also secured the enlargement and consolidation of marketing opportunities for Canadian exports in the two biggest import markets of the world, which in the last calendar year took between them about eighty per cent of Canada's total exports. They were long strides towards our goal—both in intra-imperial and international trade—of lowering tariff barriers and freeing trade from fettering restrictions. We are now ready for further progress in this direction and we hope to take it in concert with the United Kingdom and the United States.

No commercial treaty policy can, in the nature of things, ensure against the disturbing influences on our national economy of industrial depression to the south of us, or of wars and rumours of wars to the east and the west of us. These disturbing influences are apparent from the most casual scrutiny of our trade returns. The returns reveal an expansion of those exports for which demand has been increased by the fears of war, and at the same time a falling off in the value of those exports for which demand depends on peace and prosperity in the countries which normally buy our goods. This is not, fundamentally, a healthy condition. The

world itself is not in a healthy condition and Canada's economic relations with the outside world reflect the disturbances beyond our frontiers.

I see no reasonable hope of restoring normal trade relations except by a vigorous prosecution of the policy of tariff reduction through bilateral trade agreements, a policy for which this government has stood since its entry into office. For better or worse, the force of circumstances has eliminated at least for the present the alternative approaches of unilateral or universal action. The United States is not prepared to reduce its tariffs except by way of trade agreements, and the United Kingdom is now pursuing a similar policy. This being the present attitude of our two best customers, it is surely apparent that Canada should try to reach agreement with them rather than to pursue at this time an isolated policy of further unilateral tariff reductions. I do not think there should be any real difference of opinion as to where the national interest of this country lies. It is bound up inseparably with the restoration of free and stable international trading conditions. Every effort in that direction has had and will continue to have our whole-hearted support and practical cooperation.

It would not be proper for me, at this time, to make any statement with regard to the negotiations looking toward the conclusion of new trade agreements between Canada and the United States, and the United States and the United Kingdom, which have been pursued steadily in Washington for some months now. We have embarked, it is true, on a big and difficult undertaking which for its successful completion will require the continuing collaboration in good faith of all the countries concerned. We believe that all the benefits of the good neighbourhood which we in Canada appreciate in our relations with the United States of America can be fully realized only through closer cooperation in the economic field between the United States and all the countries of the British commonwealth. The process of translating these hopes, which we all share, into concrete results has been difficult and protracted. In the present instance, it is clear that if we are to find fair and practicable solutions to the problems involved, Canada must make its contribution along with the rest towards a general settlement. It is perhaps true that in some areas and in some industries we have been enjoying the best of both worlds, and it has been argued, therefore, that our interest is to sit tight and exploit such privileges

for what they are worth—while they last. Such an attitude is obviously shortsighted; it is certainly not the policy of this government, which is striving, on the basis of reciprocity and fair dealing, to work out trade arrangements with all nations which will serve the best interests of Canada as a whole.

I shall not attempt to prophesy the consequences that may follow from a successful completion of the present negotiations. I cannot refrain, however, from reminding the house that proof of the will and capacity of the countries of the British commonwealth of nations and the United States of America to cooperate in the field of trade will be a political fact of world importance. Conversely, the acknowledgment of inability to do so would limit the influence of the great democracies as a stabilizing factor in a disturbed world. The economic benefits of success in our efforts would not be confined to the trade and prosperity of the countries directly engaged in these negotiations. They would, through the application of the policy of equal treatment in commercial matters, be shared in some degree by every country in the world. The progressive reduction of the tariffs of the great trading nations will undoubtedly lessen the present strains under which the economies of many less fortunate nations are labouring. It should help to turn the nations of the world away from economic nationalism which is both a cause and a consequence of the growing fear of war.

CONCLUSION

In conclusion, Mr. Speaker, I do not exaggerate when I say that the fate of civilization to-day depends on whether these qualities of toleration, of good-will, of friendly co-operation, of ability to take the far-sighted view and of willingness to sink differences of lesser importance for the sake of the larger interest—whether these triumph in human affairs. If I may say so, these old-fashioned qualities are needed not only in international affairs but in the day to day relations between individuals, social groups and political bodies in this country. In spite of all our difficulties, I am confident that the Canadian people possess these qualities to a degree which will ensure continuous and progressive development of a united Canada.

BUDGET RESOLUTIONS

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

INCOME WAR TAX ACT

Resolved, That it is expedient to amend the Income War Tax Act and to provide:

1. That lump sum payments made in Canada, which sever the funds permanently from the assets of the payor company, for the establishment of superannuation or pension fund plans with a view to providing benefits for employees in respect of past years' services, shall be allowed as a deduction to the extent of one-tenth of such lump sum payments in each of ten successive years, commencing the year in which the payment is made; provided that in the case of superannuation or pension fund plans heretofore established by lump sum payments the said deduction shall commence in the year 1938 and continue thereafter until ten years shall have elapsed from the date of the initial payment.

2. That every corporation, the main business of which is the making of small loans shall, notwithstanding any other provision contained in the Income Tax Act, be subject to normal corporation rates of tax.

3. That annuities received under the provisions of any Will or Trust shall be taxable income of the recipient. Such annuities shall be taxable for the year 1937 and each year thereafter notwithstanding when the Will or Trust became effective.

4. That the Gift Tax shall not apply to any gifts made in any year by an individual the aggregate value of which in such year does not exceed an amount equal to one-half of the difference between the income which was subject to income tax in the previous year and the income tax payable thereon. Any enactment founded on this resolution shall be applicable to gifts made in the calendar year 1938 and thereafter.

5. That the rates of tax set forth in the schedule to the Gift Tax be increased as follows:

- On gifts up to and including \$25,000—from 2 per cent to 5 per cent.
- On gifts exceeding \$25,000 but not exceeding \$50,000—from 3 per cent to 6 per cent.
- On gifts exceeding \$50,000 but not exceeding \$100,000—from 4 per cent to 7 per cent.
- On gifts exceeding \$100,000 but not exceeding \$200,000—from 5 per cent to 8 per cent.
- On gifts exceeding \$200,000 but not exceeding \$300,000—from 6 per cent to 9 per cent.
- On gifts exceeding \$300,000 but not exceeding \$400,000—from 7 per cent to 10 per cent.
- On gifts exceeding \$400,000 but not exceeding \$500,000—from 8 per cent to 12 per cent.
- On gifts exceeding \$500,000 but not exceeding \$1,000,000—from 9 per cent to 14 per cent.
- On gifts exceeding \$1,000,000—from 10 per cent to 15 per cent.

Any enactment founded on this resolution shall be applicable to gifts made in the calendar year 1938 and thereafter.

6. That royalties paid by persons abroad out of royalties received from sources within Canada shall not be allowed as a deduction in determining net royalty income from sources within Canada.

7. That if any person or corporation ordinarily resident in Canada effects any transaction which at any stage makes use of any person or corporation ordinarily resident abroad, and which has the effect of reducing the liability to

taxation under the Act of such person or corporation ordinarily resident in Canada, such person or corporation ordinarily resident in Canada, shall continue to be liable to taxation under this Act to the same extent as if the transaction had not taken place. This provision shall apply to any transaction only if the Treasury Board upon a reasonable interpretation of the evidence available makes a ruling that the transaction was effected mainly for the purpose of avoiding liability to taxation under the Act. An appeal shall lie from any such ruling of the Treasury Board to the Exchequer Court of Canada.

8. That dividends received by Canadian parent companies from wholly-owned non-resident subsidiary companies shall be exempt from the corporation rate of tax if at least 75 per cent of the combined capital of the parent and subsidiary companies is employed abroad. Such exemption shall be granted only if and to the extent that the country in which the subsidiary company is located grants a like exemption to parent companies in respect of dividends emanating from subsidiary companies in Canada and shall not extend beyond dividends that are equal to profits that have been subject to tax abroad in the year previous to the year of declaration of the said dividends. Any enactment founded on this resolution shall be deemed to have come into force at the commencement of the calendar year 1938 and to be applicable to the calendar year 1938 and to fiscal periods ending therein and to all subsequent periods.

9. That any enactment founded on the provisions of these resolutions shall be deemed to have come into force at the commencement of the calendar year 1937 and to be applicable to the calendar year 1937 and to fiscal periods ending therein and to all subsequent periods, except as otherwise provided.

SPECIAL WAR REVENUE ACT

Resolved, That it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada, 1927 and amendments thereto and to provide:

1. That Schedule III to the said Act being the list of articles exempted from the consumption or sales tax be amended by adding to the said Schedule the following:

"Materials for use exclusively in the manufacture of gopher poison;

Harness for horses and complete parts therefor and articles and materials to be used exclusively in the manufacture thereof;

Feeds for fur-bearing animals whose pelts have commercial value;

Articles and materials for use exclusively in the equipment or repair of boats used by fishermen in the fisheries;

Bricks; building tile, building blocks and building stone; plaster; lime, cement; stucco and stucco dash;

Lumber; sash; doors; shingles; lath; siding; stairways; balustrades;

Plaster boards, fibre boards, wallpaper, building paper, and materials manufactured wholly or in part of vegetable or mineral fibre for wall coverings or building insulation;

Paints, varnishes, white lead and paint oil; Prepared roofings;

Shower baths, bath tubs, basins, faucets, closets, lavatories; sinks and laundry tubs, not including pipes and pipe fittings;

Glass for buildings;

Furnaces for heating buildings;

Builders' hardware, namely: locks, lock sets, butts, hinges, pulleys and window fasteners.

2. That Schedule II to the said Act be amended by striking out the following words in paragraph three thereof:

"Provided that the tax hereby imposed shall not apply to the goods mentioned herein, when sold to or imported by manufacturers of automobiles or chassis for the original equipment of such automobiles or chassis under the following conditions:

(i) If less than ten thousand automobiles or chassis are manufactured or produced per annum and at least fifty per centum of the factory cost of manufacturing or producing them, exclusive of duties and other taxes, is incurred in the British Empire;

(ii) If ten thousand automobiles or chassis or more are manufactured or produced per annum and at least sixty per centum of the factory cost of manufacturing or producing

them, exclusive of duties and other taxes, is incurred in the British Empire;

Provided, however, that effective April 1st, 1938, the words "sixty-five" shall be substituted for the word "sixty" in this paragraph," and substituting therefor the following:

"Provided that the tax hereby imposed shall not apply to the goods mentioned herein when used exclusively for the original equipment of such automotive vehicles."

3. That subsection two of section fifty-eight of the said Act be amended to provide that the excise tax payable upon the sale, transfer or assignment of any share at a price or valuation of one dollar shall be one-quarter of one cent per share.

4. That any enactment founded on this resolution shall be deemed to have come into force on the seventeenth day of June, one thousand nine hundred and thirty-eight and to have applied to all goods imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for which no entry for consumption was made before that date.

Rough
Proof

PARLIAMENT (CANADA)
HOUSE OF COMMONS

BUDGET SPEECH

DELIVERED BY

HON. J. L. ILSLEY

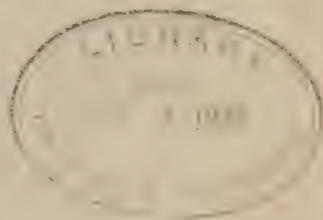
MINISTER OF NATIONAL REVENUE

MEMBER FOR DIGBY-ANNAPOLIS-KINGS, N.S.

IN THE

HOUSE OF COMMONS

SEPTEMBER 12, 1939



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1939

BUDGET SPEECH

DELIVERED BY

HON. J. L. ILSLEY

MINISTER OF NATIONAL REVENUE

IN THE

HOUSE OF COMMONS, TUESDAY, SEPTEMBER 12, 1939

THE BUDGET

FINANCIAL PROPOSALS PRESENTED BY THE ACTING
MINISTER OF FINANCE

Right Hon. W. L. MACKENZIE KING
(Prime Minister) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Hon. J. L. ILSLEY (Acting Minister of Finance): Mr. Speaker, it is a matter of universal regret that since the presentation of the last budget the Hon. Mr. Dunning, the then Minister of Finance, has been obliged to resign by reason of ill health. Sufficient time has not elapsed since the appointment of his successor for his election to a seat in this house, and it is therefore necessary that the financial proposals of the government should be placed before the house by the holder of another portfolio.

The task before us to-day, like many a task in war, is a difficult and disagreeable one. Budgeting at the best of times is not a pleasant business, as it involves essentially the counting of the cost of what we do. In the situation to-day, when we are entering upon a war of whose nature and duration we can guess only a little, it is difficult even to foresee the order of magnitude of the cost we shall eventually have to incur, and to pay. Therefore, our financial plans can only be provisional and we must be prepared to adapt them to changing circumstances. But it is doubly important under these conditions that we act with care, and seek to avoid financial pitfalls as we would the stratagems of the enemy. We shall not make the mistake which was justifiably made when Canada entered the last war, expecting it to be a short and only moderately expensive one. We know that mechanized warfare on the modern scale is tremendously costly and we can be sure that if the war continues the cost will increase probably more than proportionately. Therefore we must make our plans now with the full realization that we may be in for years of strenuous national effort.

We enter this war at a time when Canadian business has been reviving from the recession

which checked our recovery from the great depression. Without attempting to describe economic conditions in detail, I would draw your attention to the fact that conditions have improved substantially in the four months that have elapsed since the last budget. Our western farmers are harvesting a bountiful wheat crop, apparently much better than was expected a month ago when earlier, more roseate prospects were being threatened by weather conditions. Wheat prices have also risen considerably in expectation of increased war demand. Construction activity, not only residential but industrial and commercial as well, has shown a notable increase due in substantial part to the measures enacted by Parliament to stimulate it. Our exports both to the United Kingdom and the United States have increased substantially. In spite of the acute political tension in Europe during the last few months, business sentiment in Canada had improved and there was mounting evidence of a new forward-looking attitude. Given peace, we might legitimately have anticipated a brisk recovery during the balance of the fiscal year. Now that war is upon us, its immediate effects may produce hesitation and quietness for a month or two in view of the shock to business confidence and the necessity of making readjustments to war conditions. This period should not last long, and once it has passed we may, I think, expect a more rapid expansion due to the insatiable demands of war.

It has been a matter of special gratification to note the comparatively moderate effect of the immediate shock of war upon our financial markets. It was only natural that certain reactions should take place in the opening days of a major war but there has been no closing of stock exchanges, no public hysteria, no wholesale liquidation, no strain upon our financial institutions. What a contrast with the cataclysmic events of the first two weeks of August, 1914! What has happened is, of course, a strong tribute to the vastly improved position which we enjoy to-day. True, we start with a much higher public debt, but in most other respects our economy is infinitely stronger. We are no

longer dependent on vast imports of foreign capital on which the old pre-war boom was based. During and since the war, Canadian savings have increased enormously and we have built up a vast and efficient mechanism for the mobilization of these savings. The strength of our banking system has always been recognized, but the changes which we have made in monetary and banking legislation during the last few years have greatly improved its efficiency and flexibility and its ability to promote the public welfare in wartime as well as in peacetime. In recent years we have increased enormously the diversification of our industries, and in particular the remarkable expansion of our mining and metal industries will be of unique importance in a modern war. In every way we are far better able to undertake immediately the great economic tasks which war has thrust upon us.

Coming to my immediate task, I will endeavour first to review the outlook for our revenues and expenditures for the present fiscal year in the light of the new developments. You will not, I am sure, expect me to deal with these matters in the detail which is usual in an ordinary budget address, and I know that you will be ready to make allowances for the difficulties which inevitably present themselves to anyone who must attempt the role of forecasting the probable course of events during even the next few months. No one can predict with any measure of confidence precisely what lies ahead of us, and the estimates which I will give you should be regarded merely as rough approximations based on our view of the probable course of events.

You will recall that in April last the then Minister of Finance forecast total revenues of \$490,000,000 for the present fiscal year. While during the first five months of the year the receipts from certain taxes, particularly income tax, were possibly lower than he had anticipated, I now expect that our present tax structure, without any revision, will probably produce a higher revenue for the year as a whole than he had estimated, because of the expansion of production and incomes which should result within a relatively short time from our own expenditures on war activity and the probable placing of substantial war orders in this country by one or more allied governments. For our present purposes it is now anticipated that, if there were no changes in our tax structure, our total revenues for the year would be of the order of \$495,000,000.

On the side of expenditure it is far more difficult to forecast the final result of the year's

operations. In the budget of last April the probable total expenditure for the year was estimated at \$550,100,000, exclusive of any further losses in respect of wheat and exclusive of certain defence expenditures which are being capitalized under the special sinking fund plan. For many obvious reasons it is still not feasible or advisable to make any estimate of the probable financial results of the wheat marketing program, although it will be clear to everyone that the substantial change which has taken place in wheat prices will, to say the least, greatly ease the burden that might otherwise have had to be borne by the national treasury. Fortunately, also, the splendid wheat crop which is now being harvested in western Canada should reduce to rather modest proportions any expenditures that might otherwise have had to be made under the Prairie Farm Assistance Act. With the certainty of a good wheat crop and as a result of the gradual improvement in business which has already taken place, the appropriations already made by parliament for deficits of government-owned enterprises will, I believe, prove adequate. This leaves for consideration, in respect of the items budgeted for last session, mainly our ordinary and capital expenditures and special expenditures for unemployment relief and for projects designed primarily to alleviate the problem of unemployment.

In considering these expenditures there is one outstanding point which should be stressed, namely that the magnitude of the new burdens thrust upon us makes it imperative that we should do everything that is practicable to conserve our resources and to economize on any expenditures which are not urgently needed in the national interest. It would, of course, be "penny wise, pound foolish" to curtail expenditures so suddenly and so drastically as to aggravate seriously the unemployment problem before the stimulating effects of war expenditures and foreign purchases in our markets have acquired that momentum which will almost certainly bring our economy ultimately to a position of maximum productivity and full employment. It is therefore necessary to distinguish between a policy that may be appropriate for the next two or three months and what should be done in the later months of this fiscal year or in the later years of war. Parliament can be assured that while our policy will be to conserve our resources to the maximum practicable extent and to secure the maximum possible economies in the appropriations already granted by parliament, that policy will not be carried out in such a way as to aggravate unemployment and retard the prompt expansion of production and national income.

Finally, we must take into account the sum of \$100,000,000 which we have asked parliament to appropriate in order to meet the special expenditures necessitated by the existing state of war.

Including this amount, it is now estimated that our total expenditures for the year will aggregate approximately \$651,000,000, not including the two items of capitalized defence expenditures and any further losses in the marketing of wheat. If we deduct from this sum the estimate I have given of \$495,000,000 for our total revenues for the year, we arrive at an anticipated deficit of \$156,000,000, exclusive of the two items just mentioned. In view of the magnitude of that sum and, if the war continues, of the additional sums which we may have to raise in subsequent years as well as the importance of the effects on our economy of the particular policies which may be followed, it is appropriate for me to make some comments on the general problem of war finance before I announce the specific proposals which I have to make.

First of all let me emphasize that however we finance the cost of the war, whether by taxation or by borrowing or by inflation, we cannot escape its real costs. By the real costs I mean the goods and services which have to be sacrificed out of our current production to meet the needs of war. We shall have to devote a vast quantity of materials and the work of many thousands of men to produce the foodstuffs, the equipment and the munitions which are used by those who are drawn out of peace-time occupations to serve the needs of defence. To destroy the menace of Hitlerism, we must be prepared to sacrifice what the use of these materials and the labour of these men would otherwise have provided for us in terms of better and more secure living. If we must devote a great deal of our labour to making guns and military supplies, we shall have to do without whatever would have been produced in their place in peace-time.

We can, however, lighten the burden imposed by this real sacrifice if we expand our total employment and production. To the extent that we can put our unemployed men and equipment to work producing what we need for war, we will have to divert less resources away from normal uses. In many cases we may need to use on war work specialized men and equipment which are already employed, but we can cut down the real costs involved in doing so if we can replace them in their normal work by somewhat less skilled labour or less specialized equipment which may now be unemployed. We can reduce the cost

further by developing more skilled labour, by better organization and by more effective utilization of all our resources. Conditions of war will not only demand but probably also make possible the full utilization of our manpower and equipment. The urgent demands of ourselves and our allies for supplies of all kinds and the will of a united people to win the war, even at the cost of some regimentation which might not be acceptable to a democratic people in peace-time, will provide that impetus to expansion of production and capital investment which has been lacking in these recent years of uncertainty and fear.

In this connection we recall how rapidly Canadian business responded to the needs of our own and allied governments during the last war. Industrial capacity was rapidly expanded and at the peak one-third of our manufacturing industry was engaged on war orders for other countries. Similarly agriculture and the mining industry received powerful stimuli from the urgent demands of allied governments for foodstuffs, metals and minerals. Our exports increased enormously—from 432 million dollars in 1914 to 1,540 million dollars in 1918. Exports of shells and explosives alone rose from a few million dollars in the first year of war to 390 million dollars in 1917 and during the war period approximately one billion dollars worth of shells and explosives were shipped overseas. The new wealth of resources and capacities which the necessities of the conflict developed in Canada was an important offset to the enormous cost and wastage of the struggle.

Whatever such offsets may be, it is important to emphasize that, as I have already said, the real costs of war must come out of current production, out of the goods and services produced during the war. It is true that some stocks of military supplies may be on hand at the beginning of a war, but their importance is slight for a war of any duration. Borrowing abroad may enable a belligerent country to supplement its current production with an excess of imports but such borrowing is usually difficult in wartime and leaves the country with the need of making real payments abroad after the war is ended. Taking it by and large the fact is that the shells that are fired and the other goods and services that are used up in the course of a war must be produced during the period of the war. This being the case, it follows that, and I repeat it again, in real terms, namely, in terms of the loss to the nation of this production, a war is paid for substantially during its duration. Obviously this simple fact has very important implications for any program of war finance.

There may be some who feel that borrowing at home may enable us to shift part of the burden to the next generation. Ill-considered and excessive domestic borrowing, of course, may add unnecessarily to the burdens of certain members of the present and post-war generations who will find it necessary to pay interest to those of their fellows who may be bondholders. But the war generation does not thereby shift its own real burden on to posterity because borrowing at home does not enable us to borrow from future production the physical goods and services that are used up during a war. Borrowing at home is merely one means of diverting our production into war requirements, a means which is less painful at the time but which ultimately requires a somewhat greater resort to taxation. When we borrow a hundred dollars from one of our citizens and spend it on war supplies, he is thereby prevented from spending that hundred dollars on his own consumption or investing it to enable someone else to spend it on some kind of capital production. In future years we will have to pay him not only the principal but interest as well. Obviously we could accomplish the same diversion by taxing the hundred dollars away from him. Diversion by this method alone, that is to say, by a 100 per cent taxation or pay-as-you-go policy would seem at first sight to represent the ideal policy of war finance; in principle it would appear to be the most logical, the most equitable, the least likely to create disturbances and dislocations. But, in the first place, this takes no account of the desire, indeed the necessity, of individuals making some savings to provide for a rainy day, and an effort to take so much in taxation that individual savings would be practically wiped out, would become so disruptive in character as inevitably to produce disorganization and public discontent. In the second place, realism compels us to admit that a pay-as-you-go policy has to take account of the psychological reactions to taxation. In other words, we must recognize that when diversion by means of taxation rather than borrowing is carried too far the average citizen begins to feel that there is no use in his working for any additional income and therefore he does not put his best effort into his work with the result that efficiency and production fall off. If we cannot maintain our production at maximum efficiency we may lose the war, and at least the real costs of the war will increase. It is by a reasonable balancing of these various considerations that we have to decide how much to tax and how much to borrow.

We can also divert our resources to war purposes by inflation. We can create additional supplies of money and use them to

purchase what we need. In this case, just as in the others, what we take for war purposes someone else must do without. Instead of taking money from the individual citizen in the form of taxes or loans, we put our new money into competition with his old money and take the goods and services away from him by forcing prices up against him. Of course this new supply of money will then go into general circulation and will continue to compete with the former supply. Therefore to continue getting the supplies that we need we must necessarily continue issuing more and more money, thus driving prices up farther and farther. If it is replied that we should control prices rigidly, then, assuming that all prices under such conditions could be effectively controlled—a very optimistic assumption—we would have to prevent the public from spending its money by some other means such as a drastic system of rationing all commodities. In that case the citizen would get paid in money which he could not spend freely. In other words, he has in effect been compelled to make a forced loan to the government on which he receives no interest. It must be realized, therefore, that this inflationary method of financing a war is easily the most unfair and inequitable of all the methods of diverting labour and materials to war-time purposes. It represents merely a thinly disguised scheme of taxation of a most unjust type. It throws a grossly unfair proportion of the burden upon the person of small or medium income, the wage earner, the salaried man and those who have savings deposits, insurance policies or securities of any kind whose value is fixed in money. It represents a complete violation of the principle of taxation in accordance with ability to pay. It leaves in its wake a host of troubles such as chronic dislocations between industries, incomes and prices which are most difficult to cure, very serious damage to business and public morale, and high interest rates. If long continued, it can end only in complete collapse. These and other results of drastic inflation can be illustrated from the experience of many countries during the last war.

Canada's record in that war was much better than that of most other countries. But like the other belligerents she met the major portion of the cost of the war out of borrowings and credit expansion. We had no previous experience in financing a major war and in any case the imposition of a weight of taxation sufficient to pay for the whole cost of the war would have been too revolutionary a step to take. Prior to 1914 the dominion government had relied for its revenues almost exclusively on customs duties

and a few excise duties. It had no system of general taxation or established machinery for directly taxing the net incomes, profits and wealth of individuals. The sudden introduction of such taxation measures on the scale required would have been too drastic to be either economically or politically practicable. Her own financial program and perhaps more importantly the influence on world prices of the inflationary financing of many other countries resulted in a drastic expansion of bank credit, a rapid rise in prices and a redistribution of the national income. Prices and the cost of living rose more rapidly than wages and interest on old debts. Industrial profits and property incomes increased while the real income of wage-earners and individuals receiving interest payments at fixed rates declined, or rose less rapidly. It was this reduction in the real income of one section of the community and the creation of large surpluses in the hands of other sections willing to lend to the government that in considerable part at least made possible Canada's remarkable record in mobilizing public savings through the various war and victory loan programs. The decline in the relative standard of living suffered by certain groups, the rapid increase in savings and the postponement of needed capital facilities made possible the enormous volume of war loans and represented the sacrifices necessary for the conduct of the war.

No country had the courage to finance the great war solely by resort to taxation and borrowings out of savings. As already indicated, the record of some countries was much better than that of others but all suffered from a world-wide inflationary rise of prices of enormous magnitude. For the last twenty years the world has been paying the price—a colossal one. Indeed it is perhaps not too much to say that some of the roots of the present war are to be found in the world-wide unsound financing of the last war and the great economic dislocations and continuing burdens of which it was in part the cause. It is to be hoped that in the present war the world may be able to avoid a repetition of that experience.

All this is not to say that a small and carefully regulated amount of credit expansion may not be desirable in the early stages of the war in order to assist the increase of production and employment. It must be small and carefully controlled because its effects which may not appear immediately are cumulative and otherwise might get out of hand. If at the beginning of the war there are unemployed resources, some credit expansion may give an impetus to their prompt utilization. If it is carefully controlled, the expansion of pro-

duction may prevent any abnormal rise in prices, confidence may be maintained and the initial impetus may be carried on and accelerated by the insistent demand that exists for supplies. However, as soon as the expansion of employment and production gets well under way and certainly before it approaches its limits, further expansion of the supply of money and credit must be stopped if the danger of progressive inflation is to be avoided. With an economy at full production and employment, the only result of expanding money and credit is to raise prices without increasing production. At such a point commences the cumulative spiral of inflation with all its deadly consequences to the economy.

It is with these fundamental considerations in mind that we have decided upon our policy of war finance. Because we believe it is the part of wisdom, we shall follow as far as may be practicable a pay-as-you-go policy. In imposing the new tax burdens which this policy will require we shall be guided by the belief that all our citizens will be ready to bear some share of the cost of the war, but we shall insist on the principle of equality of sacrifice on the basis of ability to pay. We shall not of course be able to meet all war costs by taxation, because, as already indicated, there is a limit to the taxes that can be imposed without producing inefficiency, a lack of enterprise, and serious discontent. As the first necessity is to win the war as quickly as possible and without undue cost, we cannot carry taxes beyond the point where they seriously interfere with production. But we are not prepared to be timid or lighthearted in judging where this point lies, if need arises. What we cannot meet by taxation we shall finance by means of borrowing from the Canadian public at rates as low as possible. There may be some who expect or fear that interest rates will rise substantially, perhaps a few who are thinking in terms of conditions during the last war. Such a view completely overlooks the vast changes that have taken place. We do not expect that any material change in interest rates from peace-time levels will be necessary to attract a sufficient portion of the large increase in savings which should be produced by the expanding production and incomes under war-time conditions. And we refuse to believe that those of our people who will benefit from the new conditions would seek to take advantage of war necessities to demand any undue increase in the interest rates which we have paid in peace-time.

I have already indicated the basis for distinguishing two major periods in our program—the initial period of expansion and preparation and the main period of full war

effort. We commence the initial period immediately, and the paramount need is to get things moving as rapidly as possible in the proper direction. Our own expenditure on defence and preparation will furnish an important stimulus to the expansion of economic activity. There will be two additional sources of stimulus, first, the orders which we expect some of our allies to place in Canada for essential foodstuffs, raw materials and munitions; and secondly, the private capital expenditures which will probably be necessary in order to place our industry on an adequate footing to meet war requirements. These expenditures will probably soon be large enough to bring a rapid expansion of employment and incomes. Out of these enlarged incomes the public will be able to contribute more tax revenues and more savings. During the next few months, while we are starting the process of getting all our available resources into useful employment, the expansion in tax revenues from either existing or new sources may not provide for any very important part of our increased expenditures. We shall have to do some borrowing but the initial operation will probably be of a very short-term character and be designed to promote the immediate expansion of productive activity. It would be unwise and probably impracticable to attempt at an early stage any large borrowing operation designed to draw heavily upon public savings. Only after the initial period of expansion is well under way should we find it necessary to offer a loan for general public subscription in order that savings may be put directly to use.

By the time we have achieved the second stage of full war effort our national income will have increased so substantially that our existing taxes will yield a much higher revenue than during the last year or two. Not only will there be a greater volume and value of sales but the rise in individual earnings will bring more incomes into the higher taxation brackets and there will be additional business profits subject to tax. Consequently, the increase in dominion revenues should be larger, proportionately, than the increase in the national income. Nevertheless, our special expenditures caused by war conditions will be substantially increased, and while certain expenditures that have caused heavy drains upon the treasury in recent years, such as those for unemployment relief and wheat marketing, may be largely or wholly eliminated, it can never be forgotten that we start the war with a dominion budget heavily unbalanced under peace-time conditions. It is obvious, therefore, that additional taxes should be imposed immediately. I am confident that the Cana-

dian public as a whole will expect this parliament to have sufficient courage to impose upon them such new or additional levies as will demonstrate an immediate and resolute effort to pay our way.

In this spirit we have prepared the program of tax increases which I am now about to recommend to the house. They may be regarded in some quarters as drastic, but I am sure that the Canadian public will accept them as an inevitable incident of the vital struggle in which we are engaged and as essential to avoid greater evils and burdens at a later date. They are comprehensive in their incidence because we believe that no person will desire to escape some additional taxation. They have been carefully studied to make sure that they will be in conformity with our fundamental aim of providing for equality of sacrifice on the basis of ability to pay.

The main feature of this tax program is an excess profits tax of general application. If we are not to impair the incentive to maximum efficiency or retard the prompt utilization of our entire resources and the achievement of full productivity and employment we must be able to hold out to business men the opportunity of making a reasonable profit and also the chance of securing some compensation for exceptional efficiency and willingness to take the risks inherent in industrial enterprise in war-time. But under war-time conditions when important sacrifices are being asked from the humblest citizen and when human lives are at stake, no government can justify the making of profits that are excessive or unreasonable.

It is an extremely difficult matter to devise an excess profits tax which will be fair to all kinds of businesses. No one who has not attempted to draft such a measure can appreciate the range of thorny problems involved. In the first place the normal rate of profits is not the same for all industries. Risks are far greater in some businesses than in others and, accordingly, the rate of return must be higher if such risky industries are to obtain the capital they need and to survive. They would be severely discriminated against under a general measure which taxed all profit above a common level on the assumption that the annual rate of return should everywhere be the same. Furthermore, not all businesses require the same proportion of capital in relation to value of output. Thus under normal conditions with no excess profits being made, the ratio of profits to capital of a company in a business using relatively a small amount of capital will appear abnormally high even though there be no profiteering. Thus, while an excess profits tax based on rate of return

on capital may be entirely fair and reasonable over a wide range of industry, there are instances where it would operate with undue hardship. This should be recognized at the outset and provided for.

The United Kingdom in its recently imposed tax on armaments profits adopted the method of imposing the tax on the increase in the amount of a firm's profits as compared with the average profit made by the firm in recent years. This method assumes that profits in the selected base years might fairly be regarded as normal, and therefore that any increase over this normal rate is the measure of excess profits due to war conditions. The United Kingdom taxes such abnormal profits at the rate of 60 per cent. The method may work with reasonable fairness in the United Kingdom for the limited number of companies to which it applies but in Canada it would not be satisfactory for a measure of general application because a number of our industries have not been making normal profits in recent years, and indeed in some cases have not been making any profits at all.

It is obvious, therefore, that each of the two general methods of taxing excess profits, which I have discussed, would operate unfairly in certain cases. After much study and careful consideration with a view to being fair to all types of business, it was decided to combine the two methods as alternatives in the measure which we are recommending to the house. Accordingly a business concern may elect to be taxed on either one of the two bases, that is to say, either on the basis of a graduated scale of rates of profit on capital employed, or on the increase in profits over the average of the past four years. Where one basis might give rise to injustice or hardship, the business concern may elect to be taxed under the alternative basis. It is believed that this arrangement will have the effect of reducing to a minimum any injustices or undue hardships which might be inherent in either of the two methods used alone.

With regard to rates of taxation, the following schedule will apply where the taxpayer elects to be taxed on the basis of percentage return on capital employed:—

On that portion of profits in excess of 5 per cent and not in excess of 10 per cent, a rate of 10 per cent.

On that portion of profits in excess of 10 per cent and not in excess of 15 per cent, a rate of 20 per cent.

On that portion of profits in excess of 15 per cent and not in excess of 20 per cent, a rate of 30 per cent.

On that portion of profits in excess of 20 per cent and not in excess of 25 per cent, a rate of 40 per cent.

On that portion of profits in excess of 25 per cent, a rate of 60 per cent.

Where the taxpayer elects to be taxed on the alternative basis, he will be required to pay to the treasury 50 per cent of any profits in excess of his average annual profits in his previous four fiscal periods. In view of the increase in the tax on corporate profits, to which I shall later refer, this will mean a tax of approximately the same severity as that applied to armament profits in the United Kingdom.

It should be pointed out at once that this tax on excess profits is to be levied on all businesses whether incorporated or not and whether increased profits are the result of war contracts or not. The reason for its application to all business firms is, of course, that under war-time conditions it is impossible to distinguish between the firm which is making larger profits directly because of armament orders and other firms whose profits are expanding as a result merely of a higher volume of business or possibly a higher price level due to war-time conditions. Furthermore, the excess profits tax will be in addition to all other taxes currently in force. In this respect the present measure differs from the Business Profits War Tax which was levied during the last war. At that time business corporations paid either the corporate income tax or the business profits war tax, whichever was the higher. Under the new measure which we are recommending, the corporate income tax will be regarded as an expense in calculating the amount of excess profits for tax purposes. That is to say, it is the amount of profits left in the hands of a business concern after paying income tax which will be subject to the excess profits tax. This new tax will be applicable to profits earned in the year 1940 and in the fiscal periods ending therein after March 31, 1940.

I should add that problems arising out of certain special circumstances will be provided for in the bill. We must also contemplate that if Canadian industry is to be able to meet the urgent demand for war supplies that will arise, it will probably be necessary to provide for the construction of new plant or important extensions to existing plant and equipment. Particularly if business men expect the war to be of short duration they will not be willing to assume the risks of making the new investment required with an excess profits tax as drastic as that which we are proposing, unless they can see an opportunity of being able to amortize their

costs over a reasonable period. Special provision, therefore, will have to be made for this problem.

The corporation income tax rate is also to be raised from 15 per cent to 18 per cent, and in the case of consolidated returns, from 17 per cent to 20 per cent. Thus, regardless of whether a corporation makes sufficient profits to bring it under the excess profits tax, it will in future be required to pay an additional 3 per cent on its net income.

All individuals subject to income tax will be required in future to pay a war surtax equal to 20 per cent of their ordinary income tax. That is to say, after calculating income tax under the present schedule of rates, an additional 20 per cent of the tax bill will be payable as a war surtax. This increase will be payable next year in respect of incomes earned in the year 1939 and fiscal periods ending therein.

As is usual in war-time budgets, we are also recommending certain increased levies on articles that are commonly regarded as being in the category of luxuries. Excise duties on spirits have traditionally played an important part in our revenue system and have been lowered in the last few years. We are now recommending that the present rates of \$4 and \$5 per gallon respectively on domestic and imported liquors should be increased to \$7 and \$8 per gallon respectively, the rates which were in force prior to the reductions in 1935. In the case of Canadian brandy, the existing \$3 rate will be moved up to \$6 with an equal increase on the duty on imported brandy. Beer will bear an additional levy by means of an increase in the rate of tax on malt from 6 cents to 10 cents per pound. On beer brewed from substances other than malt the existing rate of 22 cents per gallon will be increased to 30 cents. The rate on malt syrup is also to be increased from 10 cents to 15 cents per pound. Appropriate changes will also be made in the rates applying to imports of the foregoing. Wines which now bear the rate of 7½ cents per gallon will in future pay 15 cents, and in the case of champagne and sparkling wines the existing 75 cents per gallon will be raised to \$1.50 with equivalent increases on the imported product. Cigarettes will in future bear a tax of \$5 per thousand, an increase of \$1 per thousand over the present rates, and the tax on manufactured tobacco will be increased from 20 cents to 25 cents per pound.

As we are not recommending any lowering of the existing level of personal exemptions under the tax on individual incomes, it is considered that all our citizens may properly

be asked to make some contribution to the treasury for the prosecution of the war, through their purchases of tea and coffee. Both are wholly imported commodities, and an increase in customs duties would therefore be wholly for revenue purposes. Accordingly, we are recommending that in the case of coffee, of which the greater part of our imports now comes in free, an increase of 10 cents per pound shall be imposed under all tariffs. With regard to tea, the greater part of our present imports now pays 4 cents per pound. It is proposed to add to existing rates 5 cents per pound in respect of tea invoiced at less than 35 cents per pound, 7½ cents in respect of tea invoiced at 35 cents per pound or more but at less than 45 cents per pound, and 10 cents per pound in respect of tea invoiced at 45 cents per pound or more.

In view of the increased levies on alcoholic beverages and on tea and coffee, it seems proper that some additional taxes should be imposed in respect of soft drinks. It is proposed, therefore, to place a tax of 2 cents per pound on carbonic acid gas and similar preparations used in the manufacture of non-alcoholic beverages. There will be no increase in the sales tax but the base of this tax will be broadened by removing from the schedule of exemptions electricity and gas used for domestic purposes, salted or smoked meats, and canned fish.

All changes under the Excise Act, the Special War Revenue Act, and the Customs Tariff are to be effective as of this date, except in the case of the increases in excise and customs duties on spirits including brandy which are to be effective as of September 3, 1939. I may say that that was the date of the declaration of war by Great Britain.

From these special war levies it is estimated that we shall derive approximately \$21,000,000 during the remainder of the present fiscal year. In this connection it must be remembered that the revenues due to the increases in the individual and corporate income taxes and the levy of an excess profits tax will not be coming into the treasury until our next fiscal year. In any case it is impossible to predict what the yield of the excess profits tax will be in its first year of operation, and I shall not even hazard a conjecture. However, excluding this new impost, it is estimated that on the basis of a full year's operations but without assuming any increase in production and incomes as compared with, say, 1938 or 1939, the other new changes being made in our tax structure should produce a revenue of approximately \$62,000,000. I have already indicated our view that after a short period of hesitation and quietness it is very likely that

business will improve and that under the impact of war demand productive activity and, consequently, individual and business incomes, will rise substantially. If such a forecast should prove to be correct it is clear that the new taxes and the tax increases now being imposed will at a somewhat later stage produce a substantially higher return than the estimate which I have just given of their yield in a year like 1938 or 1939. Not only that, but if and when our economy begins to expand to the stage of full production and employment, the yield from our existing tax structure will rise more than proportionately.

If there are any hon. members whose first impression was that our tax proposals were drastic, the estimate I have given of the moderate increase in revenue which will accrue to the treasury this year to meet the expenditures provided for in the war appropriation bill should serve to correct that impression. On the other hand, the estimate for a full year's operation of the new taxes and the considerations which I have mentioned in regard to the effect of expanding production and incomes on our new tax system as a whole should make it clear that we are endeavouring to avoid oft-repeated mistakes in war finance and striving to carry the pay-as-you-go policy as far as is practicable. The government believes that it has made sound and courageous decisions. It believes that the house will approve these decisions. It is confident that all sections of the public will bear the sacrifices asked of them in the knowledge that they are necessary to the successful outcome of the struggle to which we are committed.

We are engaged in a grim and serious business. Modern war is a conflict in which whole nations are pitted against one another. The issue may be decided not by the relative strength of armed forces but by the magnitude and efficient use of economic power and by the test of human nerves, the strength of the will of peoples to bear burdens and stand strains. No one can doubt the courage and the moral strength of the Canadian people. But this courage and strength must be shown at home as well as on the field of battle. Our war effort on the economic side must extend throughout the country from the city factory to the farthest frontier farm and mine. Our people will, we are confident, bear their burdens with fortitude, and pursue their respective tasks with a determination to let nothing interfere with maximum efficiency. In carrying the financial burden, every one of our people can and will contribute to the victory of the freedom and the justice for which we fight.

RESOLUTIONS

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

THE CUSTOMS TARIFF

Resolved, that it is expedient to introduce a measure to amend Schedule A to the Customs Tariff and amendments thereto, and to provide:

1. That there shall be levied, collected and paid on the following goods, whether dutiable or not dutiable, when imported from any country, the additional rates of duties of Customs hereinafter specified:

(a) Whisky, brandy, rum, gin and all other goods specified in Customs Tariff Items 156, 156a and 156b—\$3 per gallon of the strength of proof.

(b) Ale, beer, porter and stout—9 cents per gallon.

(c) Wines of all kinds, except sparkling wines, containing not more than forty per cent of proof spirit—7½ cents per gallon.

(d) Champagne and all other sparkling wines—75 cents per gallon.

(e) Manufactured tobacco of all descriptions except cigars, cigarettes and snuff—5 cents per pound.

(f) Cigarettes weighing not more than three pounds per thousand—\$1 per thousand.

(g) Tea, when the value for duty thereof under the provisions of the Customs Act:

(i) is less than 35 cents per pound—5 cents per pound.

(ii) is 35 cents or more but less than 45 cents per pound—7½ cents per pound.

(iii) is 45 cents or more per pound—10 cents per pound.

(h) All goods specified in Customs Tariff item 25a—10 cents per pound.

(i) All goods specified in Customs Tariff Item 26 except coffee, roasted or ground—10 cents per pound.

(j) Coffee, green, and coffee, roasted or ground—10 cents per pound.

2. (1) That any enactment founded upon the foregoing resolution relating to item (a) shall be deemed to have come into force on the third day of September, one thousand nine hundred and thirty-nine, and to have applied to all goods imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

(2) That any enactment founded upon the foregoing resolution relating to items (b), (c), (d), (e), (f), (g), (h), (i) and (j) shall be deemed to have come into force on the twelfth day of September, one thousand nine hundred and thirty-nine, and to have applied to all goods imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the schedule to the Excise Act, 1934, as enacted by chapter thirty-seven of the statutes of 1936 and to provide:—

1. That the duty of excise on spirits distilled in Canada be increased from \$4 to \$7 per proof gallon.

2. That the duty of excise on Canadian brandy be increased from \$3 to \$6 per proof gallon.

3. That the duty of excise upon all beer or malt liquor brewed in whole or in part from any substance other than malt be increased from twenty-two cents to thirty cents per gallon.

4. That the duty of excise on malt manufactured or produced in Canada or imported be increased from six cents to ten cents per pound.

5. That the duty of excise on malt syrup suitable for the brewing of beer manufactured or produced in Canada be increased from ten cents to fifteen cents per pound and malt syrup imported into Canada and entered for consumption be increased from sixteen cents to twenty-one cents per pound.

6. That the duty of excise on tobacco of all descriptions manufactured in Canada, except cigarettes, be increased from twenty cents to twenty-five cents per pound actual weight.

7. That the duty of excise on cigarettes manufactured in Canada, weighing not more than three pounds per thousand, be increased from \$4 per thousand to \$5 per thousand.

8. (1) That any enactment founded on resolutions 1 and 2 hereof shall be deemed to have come into force on the third day of September, one thousand nine hundred and thirty-nine.

(2) That any enactment founded on resolutions 3, 4, 5, 6 and 7 hereof shall be deemed to have come into force on the twelfth day of September one thousand nine hundred and thirty-nine.

SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend the Special War Revenue Act, chapter one hundred and seventy-nine of the Revised Statutes of Canada 1927 and amendments thereto and to provide:—

1. That subsection 1 of Section 83 of the said Act be struck out and replaced by the following:

"1. There shall be imposed, levied and collected the following excise taxes:

(a) a tax of fifteen cents per gallon on wines of all kinds, except sparkling wines, containing not more than forty per cent of proof spirit;

(b) a tax of one dollar and fifty cents per gallon on champagne and all other sparkling wines."

2. That Schedule II to the said Act be amended by adding thereto as paragraph 4 thereof the following:

"4. Carbonic acid gas and similar preparations to be used for aerating non-alcoholic beverages...two cents per pound."

3. That Schedule III to the said Act being the list of articles exempted from the consumption or sales tax be amended

(a) by striking out under the heading of "Foodstuffs" in the sixth line the words: "Fish and products thereof;" and replacing them by the following words: "Fish and products thereof, not to include canned fish;"

(b) by striking out under the heading of "Foodstuffs" in the tenth and eleventh lines the words: "Meats, salted or smoked (not to include the same when chopped, ground, par-boiled or spiced);"

(c) by striking out under the heading of "Miscellaneous" in the first line the word "Electricity" and replacing it by the following words: "Electricity, except when used in dwellings;"

(d) by striking out under the heading of "Miscellaneous" in the fourth and fifth lines the words: "Gas manufactured from coal, calcium carbide or oil for illuminating or heating purposes;" and replacing them by the following words: "Natural gas and gas manufactured from coal, calcium carbide or oil for illuminating or heating purposes, except when used in dwellings;"

4. That any enactment founded on this resolution shall be deemed to have come into force on the twelfth day of September, one thousand nine hundred and thirty-nine and to have applied to all goods imported or taken out of warehouse for consumption on and after that date and to have applied to goods previously imported for which no entry for consumption was made before that date.

INCOME TAX

Resolved, that it is expedient to amend the Income War Tax Act to provide—

1. That a war surtax of 20 per centum of the total income tax otherwise payable under the said Act be imposed upon all persons other than corporations.

2. That the rate of tax applicable to corporations and joint stock companies, except those filing consolidated returns, be increased from 15 to 18 per centum.

3. That the rate of tax applicable to corporations and joint stock companies which file consolidated returns under the said Act be increased from 17 to 20 per centum.

4. That voluntary donations to approved patriotic organizations and institutions in Canada during the present war be allowed as a deduction from income, up to 50 per centum of the net taxable income of the taxpayer.

5. (1) That the amendments proposed in resolutions 1 and 4 hereof be applicable to the income of 1939 and all fiscal periods ending therein and of subsequent periods.

(2) That the amendments proposed in resolutions 2 and 3 hereof be applicable to the income of 1940 and all fiscal periods ending therein after March 31, 1940, and of subsequent periods.

EXCESS PROFITS TAXATION ACT

Resolved, that it is expedient to enact an Excess Profits Taxation Act to provide—

1. That an excess profits tax be levied on the profits of all businesses, whether incorporated or not, the said tax to apply to profits in excess of 5 per centum of the amount of capital employed by the taxpayer in the business, and to be graduated at the following rates: on profits in excess of 5 per cent but not exceeding 10 per cent of the capital employed—10 per cent;

on profits exceeding 10 per cent but not exceeding 15 per cent of the capital employed—20 per cent;

on profits exceeding 15 per cent but not exceeding 20 per cent of the capital employed—30 per cent;

on profits exceeding 20 per cent but not exceeding 25 per cent of the capital employed—40 per cent;

on profits exceeding 25 per cent—60 per cent;

and that the said excess profits tax be in addition to the tax imposed upon the taxpayer under the Income War Tax Act, but that any tax payable by the taxpayer under the Income War Tax Act in respect of the profits of the same business for the corresponding period be deductible as an expense for the purposes of computing the profits to be assessed under the excess profits tax.

2. That an alternative excess profits tax be imposed upon the profits of all businesses, whether incorporated or not, taxing at the rate of 50 per centum all profits or income in excess of the average income of the taxpayer for the four years 1936, 1937, 1938 and 1939, or the four fiscal periods of the taxpayer ending in such years;

And that the said alternative excess profits tax of 50 per centum be in addition to the tax imposed upon the taxpayer in respect of the

same profits under the Income War Tax Act, but that any tax payable by the taxpayer under the Income War Tax Act in respect of that portion of his profits which is in excess of the aforesaid average profits shall be deductible as an expense for the purpose of computing the net excess profits to be assessed at the aforesaid rate of 50 per centum.

3. That the tax proposed in resolution 2 hereof be an alternative to the tax proposed in resolution 1 hereof, and the taxpayer shall have the right to elect to be taxed either upon the basis of the tax proposed in resolution 1 hereof or upon the basis of the tax proposed in resolution 2 hereof.

4. That the governor in council may provide by regulation for the depreciation and amortization of new plant and equipment which may be deemed necessary to fulfil orders for war purposes.

5. That this act shall be applicable to the year 1940 and fiscal periods ending therein after March 31, 1940, and all subsequent periods.

CANADA

BUDGET SPEECH

DELIVERED BY

HON. J. L. RALSTON

MINISTER OF FINANCE

MEMBER FOR PRINCE, PRINCE EDWARD ISLAND

IN THE

HOUSE OF COMMONS

JUNE 24, 1940



OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1940

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BUDGET SPEECH

DELIVERED BY

HON. J. L. RALSTON

MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, MONDAY, JUNE 24, 1940

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER
OF FINANCE

Hon. J. L. RALSTON (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, I rise to my allotted task to-day with a sense of heavy responsibility. This budget is being delivered at the most critical hour in history. The Hun is hammering at the gate. Backed by almost incredible weight of mechanized power, he has operated with cold-blooded ruthlessness. He has violated every principle of the law of nations. He has overrun one after another of the democratic countries of Europe. He has brought our gallant ally France to her knees. At this very moment the enemy of mankind stands with naked sword at the threshold of Britain herself.

For the first time in a thousand years the world has been made to realize that a new "Dark Ages" may not be the figment of a wild imagination. The incredible has indeed happened. Europe, the fine flower of western culture, is threatened with the blight of barbarism. All the things we hold dear—the democratic way of life, the Christian ideal, these age-old tenets of human relationships, fair dealing, justice, and brotherhood are threatened with destruction by those who would shut the gates of mercy on mankind.

We know now only too well that we are paying the price of long years of wishful thinking. There is no doubt that all of us in the democratic countries, governments and peoples alike, have been blinded to the stark potentialities of force and evil. Fortunately, at last, I believe, our eyes are opened and we see clearly. And if we do, it is not too late. For no one and no event can shake

my conviction that in the long run truth must triumph over falsehood, good over evil, justice over might.

Obviously, the message which I must bring to-day cannot be a pleasant one. I come to you to collect part of the price to which I have referred. Nor can I be dogmatic or definitive in the proposals I make. We live from day to day—indeed, from hour to hour—and our plans must be subject to change in the light of new circumstances.

In dealing with specific measures, we have had to take into account a multitude of unusual facts and factors. Again, in determining the magnitude of the aggregate burden to be imposed upon the Canadian people, we have had to weigh many conflicting influences and to form a judgment as to how far we could go at the present time without setting up adverse factors which would tend to defeat some of the very objectives we are trying to reach. There will, I am sure, be those who will think that I have not gone far enough and probably those who will contend that I have gone too far. Still others will differ with me on details of specific measures. All that I can say is that I have spared no pains to ascertain the relevant facts, to weigh the merits of various measures and proposals, and to reach conclusions in the light of the supreme emergency which faces us to-day.

I.

ECONOMIC AND FINANCIAL REVIEW

Before coming to my budget forecast for the current fiscal year and the tax changes I recommend, you will expect me to review the economic and financial events and policies of the first nine months of war. To make it as concise as possible I shall limit myself to a discussion of factors which give the setting for, and determine the principles underlying, the measures which the government has to propose.

Principles of War Finance

In the first war budget of last September, my colleague, the Minister of National Revenue, who delivered the budget speech, laid down the broad principle of the government's policy of war finance. "We believe it is the part of wisdom," he said, "to follow as far as may be practicable a pay-as-you-go policy." Events which have happened since, and particularly those of the last few weeks, have not detracted from the wisdom of that policy, but rather have reinforced the need for a vigorous effort to apply it in every possible way.

The general policy was elaborated further as consisting of two parts: that appropriate to an initial period of quietness and hesitation, and that suitable for a second period in which rising business activity and expanding income had acquired momentum.

In the initial period of the war in which business was expected to be hesitant, if not actually depressed, the appropriate financial policy was declared to be one which would facilitate the expansion of national income and the drawing into employment of our full man-power. In order to ensure that out of rising incomes increased revenues would begin to flow to the government for the financing of the war, certain excise taxes, chiefly on luxuries, were levied, and moderate increases were imposed in the personal and the corporation income taxes. The increases in income tax were payable only after the close of the fiscal year and therefore would have a relatively slight effect in curtailing purchases by consumers. Furthermore, in order that uncertainty might be removed and that business firms might begin to adjust themselves to the war conditions, the outlines of a new and heavy excess profits tax were announced.

These new or increased taxes were not designed to provide immediately for any large part of our heavily increased expenditures. It was also specifically indicated that our initial borrowing operations to provide part of the funds to cover the inevitable deficit in this early period would probably be of a very short-term character, so as to promote the immediate expansion of productive activity. In harmony with this same point of view, it was emphasized that while the magnitude of the new burdens thrust upon us would make it imperative to do everything possible to conserve our resources and to economize on any expenditures not urgently needed in the national interest, nevertheless it would be "penny wise, pound foolish" to curtail expenditures so suddenly and so drastically as to aggravate seriously the unemployment problem before the stimulating effects of our war expenditures and of foreign

purchases in our markets had acquired real momentum.

The initial period of quietness and hesitation, it was felt, would be of relatively short duration and would be followed by the second period during which increasing business activity, expanding production and rising national income had acquired momentum. While perhaps starting slowly, this advance would accelerate under the pressure of war orders from ourselves and our allies until gradually our economy would approach a state of full employment of its labour, capital equipment and material resources. As this second stage developed, certain modifications of financial policy would be called for. Thus it was stated that as business activities increased and idle workers were reemployed, the resulting larger incomes would necessarily become subject to heavier taxation for the purpose of ensuring that the increase in our national income was largely diverted to war needs instead of being disbursed in increased personal consumption and private investment. For the same reason, borrowings from the savings of our citizens and genuine economies in normal governmental services not urgently needed in war time, were indicated as appropriate for this second period.

Financing Operations

In accordance with the declared policies, the government made its first financing in the form of a short-term banking operation which was definitely expansionist in character. This was a loan of \$200 million arranged with the banks in November, 1939, on the security of two-year notes at a rate of two per cent. It will be recalled that of this amount \$92 million was used to repatriate Canadian securities held in London. This gave the United Kingdom a substantial supply of Canadian dollars which was used to purchase Canadian foodstuffs, raw materials and war supplies.

This borrowing from the chartered banks was facilitated by appropriate monetary policy. Between August and November, the Bank of Canada's assets increased by approximately \$107 million as a result of the purchase of securities and the increase in the value of its gold and foreign exchange reserves. This provided cash to meet the enlarged public demand for notes in circulation and to increase the cash reserves of the chartered banks by \$33 million.

With this increase in cash reserves, the chartered banks were enabled to increase their total Canadian deposits by approximately \$306 million. In the same period, they increased their current loans by approximately \$147 million, mainly to finance the large wheat crop, and added to their net holdings of securities by \$158 million.

Thus, financial and monetary policy accorded with the declared intention to facilitate in the initial period an increase in business activity and an expansion of national income.

By the middle of January it became apparent that business had acquired sufficient momentum to justify going to the public for a loan out of savings. We therefore offered our first war loan in the form of 3½ per cent twelve-year bonds callable by lot during the last five years. Very careful preparation had been made for the campaign and the success of the loan was even greater than we had expected. Of the total subscriptions of \$375 million we allotted \$200 million to cash subscribers, and \$50 million to subscribers who desired to convert their holdings of one of our issues which was to mature on March 1st. It was particularly noteworthy that there were over 178 thousand individual cash subscriptions to this loan and that out of that number more than 121 thousand were for amounts of \$500 and less. This result was made possible by the nation-wide cooperation of institutions and individuals and, above all, by the united and enthusiastic support of the Canadian people as a whole.

Even this January borrowing was to a considerable extent expansionist in character in that it converted into government expenditures a considerable amount of idle bank savings. However, the number of small subscriptions and of arrangements made by employees of industrial firms for the purchase of bonds by instalments is convincing evidence that a surprising portion of the subscriptions represented new savings out of increasing incomes.

Passing over one or two financial operations of smaller magnitude for refunding purposes, I come to a further major step in our borrowing operations, namely, the inauguration of our war savings certificates programme on May 27th. These certificates are issued in small denominations for the purpose of facilitating regular savings and contributions to Canada's war effort by persons of moderate and small means. Supplemented as they are by war savings stamps in the denomination of 25 cents they enable all of our people to take some part in Canada's war work while at the same time acquiring the habit of thrift and building up a "nest egg" for the contingencies that may lie ahead. Unlike our periodic war loan campaigns, the sale of these certificates and stamps involves a steady effort which will produce a continual stream of funds, even more important in its influence that the actual amount of money itself. The campaign has involved a vast amount of preparatory and organizing work, and I express now our sincere appreciation of the unstinting help and sup-

port being given by patriotic citizens, organizations and business firms throughout the country. You will be interested to know that not a cent of commission is being paid to the postmasters, banks, financial institutions and commercial organizations which are selling these obligations, and the citizens who are organizing and sustaining this project both at headquarters in Ottawa and throughout the dominion are giving their services voluntarily.

Business Conditions

Turning now to general business conditions, there is one respect in which the business forecast made by the Minister of National Revenue last September has proved to have been unduly conservative. The fact that the results were better than he forecast was, I really think, due, at least in considerable measure, to the effectiveness of the policies which were promptly adopted. The stagnation in business which he contemplated as probable during the first few months of war was not in fact realized. It is true that for the first few weeks financial and commodity markets were upset by the shock of war and business itself was retarded by uncertainty and the disruption of certain established channels of trade. But the financial policies outlined in the September budget and the institution of foreign exchange control on September 16th restored confidence to financial markets and prevented the dumping of securities and the export of capital which might otherwise have produced serious disorganization. The prompt establishment of other controls through various war agencies, such as the Wartime Prices and Trade Board, the War Supply Board and the Agricultural Supplies Board, also made its contribution to the restoration of confidence and the rapid adjustment of trade and industry to the new war-time conditions.

There were various economic factors which also worked to improve conditions. The large wheat crop of last year, for which the initial price guaranteed by the government was realized by the producers immediately upon delivery, gave a very important stimulus to business generally. Almost equally important was the phenomenal rise during the first four months of war of Canadian exports to the United States. Our neighbour to the south experienced an intense forward-buying boom and in that we shared through greatly increased exports. Initial war orders were important in contributing to the early expansion of the textile, boot and shoe, and iron and steel industries particularly.

At the turn of the year, however, business activity in the United States receded very sharply. Seldom has there been in that country

in so short a space of time so sharp a contraction in production. Under ordinary circumstances, Canadian trade and industry would have shown a similar, if less intense, recession. But as a matter of fact, while the rapid increase in Canadian business activity was slowed down somewhat, the cumulative increase in war orders and the recovery in Canadian exports to Britain, which had been abnormally low in October and November, largely offset the influence of the United States recession. Business activity in Canada flattened out in February and March but generally did not recede. In recent weeks the tempo of United States business has increased sharply and there are already indications that Canadian exports to that country are responding to a more active market. The stimulus to our business which has resulted from these exports is supplementing and reinforcing the expansion due to the acceleration of war expenditures here.

The record of the flow of business which I have outlined is clearly visible in the index of the physical volume of business in Canada. That index stood at 125 in August last, had increased to 139 in January, and stood at 137 in March-April. The increase over the same period in industrial production taken by itself was even more pronounced. A definite increase in consumers' incomes was shown in the rise of retail sales which by December had reached the highest figure since 1930, and, if allowance were made for to-day's lower price level as compared with 1930, retail sales last December would probably be found to have been the highest on record.

These retail sales have continued to be considerably higher than last year. Each month since last September, sales of automobiles have been greatly ahead of the corresponding month of the previous year. For the first four months of war, there was a marked hesitation in construction activity but since January construction has increased and through April and May the value of contracts let was 76 per cent above the value for the same two months of 1939.

Employment

According to the preliminary estimate of the Dominion Bureau of Statistics, over one hundred thousand idle wage earners had been drawn into employment during the twelve months to April, 1940. The fall in the number of employable persons on urban relief rolls has lagged behind this increase in employment, but since last November the numbers on urban relief rolls have been lower than those for the corresponding months of the previous year and on the whole the reduction has been accelerating. We have no comprehensive

statistics which would indicate changes in the amount of the incomes of wage and salary earners. There are however, abundant indications that as a result of elimination of short time, earnings for overtime work, an increase in the number of earners per family and increases in wage rates, total wage and salary earnings are rising rapidly.

These are days when no one can predict what the future will disclose. However, if there is no serious interruption in our export trade, the increasingly great numbers of men and amounts of materials being employed in war production will lead to a substantial increase in our national income, that is to say, the aggregate of the incomes of all the people of this country. The heightened tempo of business in the United States will also make an important contribution to the same end.

National Income and Financial Policy

On the basis calculated by the Royal Commission on Dominion-Provincial Relations our national income for the calendar year 1939 was in the vicinity of \$3,800 million. Using the same method of computation we consider that our national income for the fiscal year 1940-41 will not likely be less than \$4,500 million. We must see to it that by far the greater part of that increase is used for war purposes.

I need hardly say that our war effort is not in any sense to be limited by such financial calculations or by what we can comfortably accomplish. We must make the maximum effort of which this country is capable. Financial provision can be made and will be made for whatever it is physically possible for us to produce or to procure in the way of war services, supplies and materials. The limits of our effort are not fiscal; if there are any such limits they are physical, mental and moral—by that I mean the physical limits of our resources and the mental and moral capacity of Canadians to bear burdens and make sacrifices.

However, in obtaining whatever it is possible for our man-power, equipment and resources to produce or procure, it is certainly wise to adopt the most intelligent means of financing that effort. Plans already laid and approved by this house call for defence expenditures of \$700 million. As I shall later explain, such a figure can only be provisional and not in any sense a limit. What concerns us this afternoon is to choose and determine what seem the wisest financial methods of paying for the maximum effort which is physically possible.

If an appropriate financial policy is not followed the ultimate result will inevitably

be that the government will be frustrated in its attempt to procure goods for war purposes by the competition of consumers who seek to spend their increased buying power to satisfy civilian wants. In that event, also, the familiar spiral of rising prices, then rising wages and costs, and then prices rising still further would begin to work. Prices would rise more rapidly than wages and salaries, and, by this indirect, hidden and most inequitable process, the civilian population and particularly the wage and salary earners and the receivers of fixed incomes, would be forced to curtail their consumption not only of luxuries but of comforts and necessities as well. Eventually in such a process our entire economic life would be disorganized; a hectic period characterized by feverish speculation, waste and extravagance would develop; and a collapse of the inflationary structure would be as inevitable as it was at the close of the last war.

The government's financial and economic policies have been so designed as to try to safeguard against that type of situation. They have been evolved with the aim to avoid unjustified price increases or speculative excesses, to keep our economy functioning as effectually as possible and to secure the necessary diversions of man-power, equipment and materials to war purposes in a way which would be the least dangerous to the economy and the most equitable as between different individuals and groups.

We recognize clearly that we still have unemployed man-power and resources, that mobilizing them into productive work will expand the national income, and that by expansion of the national income we can add enormously to the magnitude of our war effort. Consequently our policies have been and are being directed to the end of producing soundly the maximum possible increase in our national income in the shortest possible time.

I have already told you of the part played by our financial policy thus far. My colleague, the Minister of Munitions and Supply (Mr. Howe), has already given you some indication of the steps which he has taken to organize the industrial resources of this country, to meet the expanding war demands of ourselves and our allies. In this connection the measures which he is taking are expanding daily.

In the relief estimates which have been tabled there is provision for the rehabilitation of unemployed workers and the technical training of young men and women.

There is every likelihood in my opinion that the expenditure of \$700 million, and more, for war purposes plus the very large amounts

which the United Kingdom is spending in this country will bring us before very long to the point when everyone able and willing to work and not needed for military service will find an opportunity for productive employment.

Already we can see evidence that shortages have appeared in certain types of skilled labour. To overcome this obstacle we must have the cooperation of Canadian employers in providing the necessary apprenticeship and other training, and of our labour organizations in facilitating the necessary entrance of young men into their trades. We must not allow bottlenecks to develop and retard our armament programme in this supreme emergency. Plans are under way to meet such possible dangers, and the government is confident that it can count upon the hearty cooperation of both employers and employees in thus promoting the maximum efficiency of our war effort. Maximum efficiency, maximum production, maximum speed, must be the supreme objective of all of us to-day.

I have only touched upon some of the measures that have been taken to increase the national income. To the extent that we can increase the national income, we can increase our war power without crippling sacrifice in our standard of living. Some reduction in personal consumption there must necessarily be, and it can easily be made by those of us who are above the minimum standard of living.

To sum up: In the measures which I shall propose we are endeavouring to ensure that at least a very large proportion of the increase in national income shall be diverted to war purposes while, at the same time, leaving sufficient stimulus to bring the country as rapidly as possible to the maximum use of its labour, its plant and its resources. In this connection it will be seen that many of our tax proposals will not require immediate payment and that much of the planned-for increase in revenue will not be called for during the present fiscal year.

Foreign Exchange and Financial Policy

One feature of our economic activity since the outbreak of war, which is of special concern and deserves special mention here, is the great increase in our imports. Most of these increased imports have had to come from countries outside the British Empire, mainly because Britain herself, pressed by her own needs, has been unable to supply them.

In normal times we are able to use any excess receipts from our trade with one coun-

try to meet any deficits in our trade with another. At this time, however, when Britain has such vital need of gold and United States dollars to purchase planes and other war equipment, we cannot expect her to settle all her trade balance with us in gold or foreign exchange. Consequently, while there has been, since the war began, a substantial increase in our favourable balance of trade with the United Kingdom, a very large proportion of the surplus sterling exchange which we obtain and which formerly we were able to convert into United States dollars in order to meet any adverse balance of payments with that country can no longer be so converted.

Since the United Kingdom could not supply us with goods to pay for all her purchases here, and since, as I have just explained, the sterling with which she was able to pay for these purchases could not be converted into dollars in the normal way, other measures were necessary. The Canadian government undertook to buy and use this sterling in buying Canadian securities from Britain and thus to provide our exporters with Canadian dollars in payment of their exports. While such purchases of Canadian securities held in London will strengthen our long-run financial position on international account, nevertheless two immediate problems face us. In the first place, our domestic market must absorb new securities to a corresponding amount. In the second place, the fact that the surplus sterling arising from our trade with Britain cannot be converted into United States dollars and must be used up by repatriation of securities means that our increased sales to Britain do not help us, as they would in normal times, to pay for the heavy imports of which I have spoken from non-empire countries. The result is that we must find from some other source the United States dollars needed to pay for the greater part of our imports from that country.

To illustrate this exchange problem, let me give in a little more detail the trend of our war-time import and export trade. Comparing the eight months of war ending April, 1940 with the corresponding eight months ending April 1939, Canadian imports from non-Empire countries increased by \$171 million, while our exports for the same period to non-Empire countries increased by only \$86 million. In other words, an adverse merchandise balance of only \$18 million in the 1938-39 period had increased to an adverse balance of \$102 million in the 1939-40 period. These figures cover only merchandise trade. There are, of course, other important items which increase our net credits in our accounts with non-Empire countries, namely, the export of gold, the expenditures of tourists in Canada, and the curtailment, due to the prompt establishment and efficient operation of the Foreign Exchange Control Board, of the export of capital from

Canada. There has also been a small but encouraging inflow of capital from the United States. Nevertheless, it is obvious from an examination of these trade figures that rising business activity and expanding consumer expenditures in conjunction with failure of Empire sources of supply have led to a very great increase in our adverse balance with non-Empire countries.

More recently, and despite the utmost care in selecting as far as possible Canadian sources of supply, the government's war orders have contributed directly and indirectly to this increase in imports from hard currency countries. It is apparent that already there has developed, between consumers and private business on the one hand, and the government and firms supplying government orders on the other, an active competition for foreign exchange with which to purchase imports. The problem of policy thus posed is not one of maintaining an exchange rate. The powers of the Foreign Exchange Control Board are quite adequate to do that. The problem is to ensure that, in handling the supply of foreign exchange which may be, from time to time, available, war requirements shall take priority over other requirements, and that to some degree also the requirements of industries which are exporting goods and therefore assisting us to acquire foreign exchange, shall take priority over the requirements of domestic trade. I have dealt with this aspect of our exchange position at some length because it furnishes the background for some of the proposals which we intend to make.

But before I leave this subject of foreign exchange I should say just a word regarding our system of foreign exchange control. Within a week of our declaration of war, the Foreign Exchange Control Board was established and given the necessary powers subject to the direction of the Minister of Finance, to regulate all foreign exchange transactions between residents of Canada and the outside world. Detailed plans for the establishment and operation of such a board has been prepared in advance, in case it should be needed, and, once the need was apparent, the Board swung into effective action very quickly. The Board immediately took over as its initial resources the exchange fund which was created under the Exchange Fund Act of 1935. Subsequently on April 30th an order was made requiring all Canadian residents to sell their holdings of foreign exchange to the Foreign Exchange Control Board before the first of June. Those who in complying with the order could demonstrate a need for foreign balances in order to carry on their normal business transactions, such as commercial and insurance companies doing business abroad, have been permitted by the Board to retain such

amounts as are considered necessary for this purpose. The private holdings of foreign exchange so transferred to the Board were of course purchased at the official rates in Canadian dollars. At the same time as these private balances were purchased, the government, by appropriate orders and transactions arranged to have the holdings of the Board further increased by the transfer to the Board by the Bank of Canada of the Bank's gold reserves, also its reserves of foreign exchange over and above its short-term requirements and necessary working balances. The reason for all these transactions was the advisability of having all our liquid foreign resources centralized with, and managed by, the agency at present charged with the management of our foreign exchange transactions. Without going into details I can say that the main policy which has been followed by the Board has been to restrict movements of capital out of Canada to the minimum while at the same time interfering as little as possible with import and export trade, the tourist trade, the payment of interest and dividends and the flow of normal, current business transactions. In carrying out its work, the Board has received general and wholehearted cooperation from the people and business organizations of this country and, I may add, from the business organizations of the United States.

II

GOVERNMENT ACCOUNTS, 1939-40

I turn now, Mr. Speaker, to the government accounts for the fiscal year which closed on March 31. Following the procedure which was initiated last year by my predecessor, Mr. Dunning, I do not propose to weary the house with any extensive recital of the details of our revenues and expenditures, our direct and indirect liabilities, our active investments and our financing operations during the past year. All of these details I shall, when I conclude, table in the form of a white paper, in order that the house and the country may have a comprehensive record of our financial transactions during the year. As was the case last year, the white paper will be published as an appendix to the budget speech and therefore will be readily accessible. This procedure enables me to confine my remarks to summarized results rather than to burdensome details.

Revenues

At the time of the September, 1939, budget, it was estimated that the total revenues for the fiscal year 1939-40 would be \$516 million, including \$21 million to be derived from new and increased taxes. Because business expanded more rapidly than was anticipated, the yield

of both our old and new taxes has exceeded our expectations. It is now estimated that when our books for the year are closed, our total revenue will amount to \$562 million. (This includes, it is true, a bookkeeping item of \$20 million of credits to non-active accounts for which offsetting or contra items appear on the expenditure side of the statement.) The figure which I have given for total revenues represents an increase of nearly \$47 million over the previous all-time record revenue which was received during the fiscal year 1937-38.

Dealing particularly with revenue from taxes, let me say that of the September, 1939, tax increases, only the luxury taxes were effective in the past fiscal year. Actual collections under the increased rates of the personal and corporation income taxes would not be made until the present fiscal year. The same is true of the excess profits tax. Nevertheless, tax revenues for the fiscal year 1939-40 are estimated to have been \$468 million as compared with \$436 million in the previous fiscal year. This increase in tax revenue, to which practically all taxes, except the income tax, contributed, was the result of increasing business activity and, in some cases, of increases in rates. Receipts from the income tax reflected the rates and the incomes of the calendar year 1938, and not the results of the accelerated business in 1939 which will be realized in the income taxes to be paid in the present fiscal year. Tax revenue from the first of September, 1939, to March 31, 1940, was \$51 million in excess of the amount collected in the same period in 1938-39. This is a striking confirmation of the fact that the period which was expected to be commercially quiet and hesitant at the start at least, turned out in fact to be one of extremely active business and consumer buying.

Expenditures

Turning now to expenditures: In the September 1939 Budget, total expenditures for the year would, it was estimated, aggregate approximately \$651 million, not including the two items of capitalized defence expenditures and further losses in the marketing of wheat. Our total expenditures for last year are now estimated at \$681 million. This includes all our defence expenditures and in addition a further \$27 million incurred in wheat marketing. Once the war had begun, it seemed that conservative accounting could no longer justify the capitalization of defence expenditures as provided for in last year's estimates, and all such items have been charged to war expenditures. Furthermore, while at the close of the fiscal year there still remained unsold a small amount of wheat of the 1938 crop, it was clear that the losses of the Canadian Wheat

Board in respect of the marketing of that crop would amount to at least \$52 million. Therefore, an advance of this amount was made to the Board and this enabled the Board to pay off guaranteed bank advances to that amount in respect of 1938 wheat. As provision had already been made in the accounts of the year 1938-39 for setting up a reserve of \$25 million in respect of possible losses in marketing this wheat, the difference between this sum and the advance of \$52 million made to the Board, namely, \$27 million, has as already indicated been included in the 1939-40 expenditures. When we add to our estimated expenditure of \$651 million these two items of \$27 million of capitalized defence expenditures and \$27 million more for wheat losses, you will note that if we had spent what we estimated the total expenditure would have been \$705 million. It will be seen, therefore, that since our actual aggregate expenditures were only \$631 million we have done considerably better than was expected last September.

The figure of \$631 million which I have given as representing our aggregate expenditures for the year may be broken down by main categories of expenditure as follows (using round numbers):

Ordinary expenditures.....	\$398,000,000
Capital expenditures.....	7,000,000
Losses on and non-active advances to government-owned enterprises.	42,000,000
War expenditures.....	118,000,000
Other special expenditures including unemployment relief and wheat losses.....	89,000,000
Other charges.....	26,000,000

In the above item of "other special expenditures", the amount for unemployment relief, relief works and western drought area relief totalled \$62 million as compared with \$47 million during the preceding year. This includes a net expenditure of \$7.5 million under the Prairie Farm Assistance Act.

Under "government-owned enterprises", the main item of expenditure was the net income deficit of the Canadian National Railway, which amounted to slightly over \$40 million as compared with \$54 million for the preceding year. This substantial decrease is a reflection of improved business conditions and heavier traffic movement, particularly during the latter part of the year. A fact to be noted with considerable satisfaction is that while operating revenues increased by 11.8 per cent, the heavier traffic was carried with an increase in operating expenses of only 3.8 per cent.

Over-all Deficit

The net result of the year's receipts and outgoings is that, because our revenues were about \$46 million greater and our expenditures about \$24 million smaller than were anticipated, our over-all deficit for the year will be about \$70 million less than was expected.

However, the actual deficit will still approximate \$118 million, as compared with \$51 million in 1938-39.

Net Debt

As a result of the over-all deficit of \$118 million, the net debt of the Dominion rose to approximately \$3,270,980,000 as at March 31, 1940. Gross liabilities at that date are estimated at \$4,028,573,000. On the other side of the balance sheet, offsetting these liabilities in part, the Dominion had active assets, including cash on hand, sinking funds, and active loans and investments, amounting to \$757,593,000.

Contingent Liabilities

At the close of the fiscal year there was outstanding unmatured direct funded debt (including treasury bills) amounting to \$3,695,685,000, of which \$67,196,000 were held in sinking funds against certain issues payable in London. Bonds and debenture stocks bearing the guarantee of the Dominion and outstanding in the hands of the public aggregated \$1,084,479,000 as at March 31, 1940. These guaranteed securities were decreased by \$987,000 during the year. There are also outstanding certain other contingent liabilities arising out of guarantees given under relief acts and various other statutes. These are fully set out in the white paper which is being placed on *Hansard*.

It will also be of interest to hon. members to know that as at March 31st last the average rate of interest on the Dominion direct funded debt (including treasury bills) was 3.40 per cent as compared with 3.52 per cent on March 31, 1939 and 5.02 per cent on March 31, 1930.

III

BUDGET FORECAST, 1940-41 AND PROPOSALS

I now come, Mr. Speaker, to what is by far the most difficult part of my task. It is quite possible with reasonable assurance to analyse recent economic trends, to describe our fiscal policies and outline our financial operations for a year which has passed. But it is an entirely different matter, particularly under present circumstances, to forecast the future and to evolve and propose the measures which may be best calculated to meet conditions probably more unforeseeable than those of any period in our history. That, however, is a responsibility which one in my position must take and my task only differs in degree from that of my predecessors.

Estimate of Expenditures

On the expenditure side, the estimates already tabled provide for a total expenditure on non-war activities of government of \$448

million. As you know, these estimates represent a combination of the ordinary main estimates, the supplementary estimates and the special supplementary estimates which have been presented to the house in recent years. My hope is that it will not be necessary to ask parliament for any supplementary estimates for peace-time services of government, unless this parliament approves new undertakings not contemplated when our estimates were prepared.

Just here may I divert for a moment or two to mention the matter of economies in governmental peace-time expenditures. These are important because they release funds for war purposes.

If you will compare the figure I have given with the corresponding total of the estimated expenditures for the preceding fiscal year, you will find a reduction of over \$77 million. That very large reduction reflects not only improvement in the operations of the national railways and in the relief situation but it is also the result of a good deal of painstaking examination and re-examination in all government departments in order to obtain the maximum economies in our departmental activities as well as to reduce or eliminate services which however justifiable in peacetime ought not to be regarded as absolutely vital in war-time. Our war effort has unquestioned priority; and the tremendous financial burden it will involve and the drain it will cause on the man-power, equipment and resources of the country make it vitally imperative that all governmental authorities—not only dominion, but—if I may go beyond federal bounds—provincial and municipal as well, should appraise with a sense of national responsibility the justification for the dollars proposed to be spent on normal activities. Every such dollar must, directly or indirectly, come out of the pockets of the people. And it ought almost to go without saying that to provide the enormous sums which must be spent by the Dominion this year for defence, the ordinary expenditures of governments—all governments—in Canada must be decreased if they are not to restrict the amount that can be devoted to the driving task of defeating Nazism. In the federal field, I have had the effective cooperation of my colleagues and their departmental officers in achieving the economies I have reported. The premiers or provincial treasurers of several of the provinces have discussed this problem with me and I have also had the opportunity of conferring with a number at least of the mayors of our cities and towns on the same subject. The attitude of them all was so instantly and definitely cooperative as to convince me that all that is necessary is that the position

be understood to make certain that the response by all governmental authorities will be just as unhesitating and just as reassuring.

The chief difficulty which all governments face in reducing ordinary expenditures is the fact that usually so small a proportion of these expenditures is controllable and there is the further fact that significant reductions in these controllable expenditures involve throwing out of work large numbers of employees, many of them of long service and some without superannuation privileges of any kind. To give an example, the expenditures under our main estimates last year amounted roughly to \$400 million. Of this amount \$260 million represented what were regarded as absolutely uncontrollable expenditures; and by that I mean war pensions, old age pensions, subsidies to provinces, interest on funded debt, et cetera. This left only \$140 million out of which savings might be made and of this amount \$80 million was for salaries and wages. So that, apart from discharging government employees, there was only the sum of \$60 million covered by those main estimates which might be subjected to reductions.

Fortunately, the development of the war programme has made, and will increasingly make possible the absorption of such persons in war activities. For some time we have had an inter-departmental committee at work to examine into and provide for the transfer of such personnel. As the house knows, there have been eliminated during the present year all ordinary public works of a capital character; but the opportunities for employment resulting from the war programme will make possible, and the demands of the war programme will, I believe, make it necessary that labour and resources should be released from the construction of these public works, most of which have in recent years been provided for primarily to alleviate unemployment.

With that interjection on economies I return to my forecast.

To our estimated expenditure for normal purposes of \$448 million must be added whatever will have to be spent during the year for war purposes. Parliament has already approved a war appropriation amounting to the sum of \$700 million, more than four times what was spent in the corresponding fiscal year of the last war.

Combining these two figures gives us a total of \$1,148 million. But even this huge sum may not, and almost certainly will not, represent the total of our expenditures for the current fiscal year. Events are moving with lightning speed. Plans are having to be

reshaped and extended almost daily, and no man can foretell what we will be called upon to provide in the next nine months. As you know, since the War Appropriation Act was passed with its grant of \$700 million for war purposes, we have made heavy additional commitments and these are constantly having to be added to. There will be some offsetting factors to these new obligations. There were some commitments in our earlier estimates which may not be required due to possible alterations in military formations which depend on the nature of the duties for which they may be needed. There will be certain modifications because in some cases the estimates were based on a rate of replacements assumed to be required by active warfare in France. There will be other items which will be superseded by the emergent measures of the last few weeks.

There are many factors which make even approximate calculation very difficult, but to give the house the roughest sort of idea, I would think that we are already committed for probably another \$150 to \$200 million for the fiscal year, and that such reductions as may take place in our original estimates due to changes in plans will probably be more than offset by further undertakings.

Estimates of Revenues

Turning now to make a forecast of our revenue, our estimate is that, assuming a continuance of present trends and no serious interruption of our export trade, our total revenues for the present fiscal year on the basis of our existing tax structure will amount to approximately \$650 million. This estimate is made up as follows:

Tax revenue		
Customs duties.....	\$132,000,000	
Excise duties.....	83,000,000	
Sales tax.....	170,000,000	
Other excise taxes.....	30,000,000	
Income taxes.....	166,000,000	
Excess profits tax (to be superseded).....	nil	
Bank note circulation and insurance companies taxes.....	2,000,000	
Total tax revenue.....		\$583,000,000
Non-tax revenue		
Post office receipts.....	\$ 37,500,000	
Interest on investments.....	13,500,000	
Miscellaneous	16,000,000	
Total non-tax revenue.....		\$ 67,000,000
Total ordinary revenue.....		\$650,000,000

Questions to be Answered

Our ordinary expenditures and the amount already authorized by parliament for war purposes total, as I have said, \$1,148 million. We are faced, therefore, with a probable deficit, on the basis of our present tax structure, of at least \$498 million plus an indeterminate amount which may easily bring that deficit up to \$700 million. Consequently, it is necessary to answer boldly and realistically two questions:

First, what part of this probable deficit is to be met by taxation, and what part by borrowing?

The same question can be put in different terms. How can we take out of the rising national money income of this country funds for the purposes of war as rapidly as, but not more rapidly than, resources, equipment and labour can be diverted for those purposes? Or, at what rate should this diversion of funds be accomplished so that the output of our industry and of our man-power shall be expanded to the limit?

The second question which has to be answered is: How can the budgetary policy of the government help to conserve foreign exchange?

Neither the house nor the people of this country will expect financial miracles. They have a right, however, to expect that the financial measures recommended shall be appropriate to the critical situation in which the country finds itself and shall ensure a mobilization on the economic front which will achieve the very maximum effort of which this country is capable.

Proposals for Conserving Exchange

To answer the second question first:

I now outline the fiscal measures for promoting the conservation of foreign exchange. There will be two measures submitted with that definite purpose in view.

First, it is proposed that a war exchange tax of 10 per cent shall be imposed on the value for duty purposes of all imports, free

and dutiable, from non-Empire countries. The tax will be subject to drawback for export as in the case of customs duties.

The government is aware that there may possibly arise the odd case of real hardship where materials or parts used by Canadian producers will be subject to this tax while the finished products, entering tax free under the British preferential tariff, will actually compete with the Canadian-made finished product to such an extent that the 10 per cent exchange tax may make it impracticable commercially for the manufacturer of the finished product to continue production. Such cases if they are established can be dealt with under existing machinery relating to the remission of taxes. They will, it is safe to predict, be very few because the apparent trade advantage given to imports from Great Britain by this tax is small in comparison with the handicaps which the higher costs of war-time production in Britain and of ocean transportation will impose on such imports.

Though the purpose of this tax is primarily to conserve exchange, it is estimated that it will be productive of considerable revenue. The estimate is that in the first full year of operation it will yield \$65 million, of which \$50 million will be collected in the present fiscal year.

As this is intended as an exchange tax and not a protective duty, power will be taken to prevent unjustified increases in prices as a result of this tax. The policing of price increases will be under the war-time prices and trade board and any attempt to take advantage of the tax to increase prices other than to the extent justified by an increase, resulting from the tax, in the cost of raw materials or parts entering into the product, can be dealt with by appropriate measures applicable to the industry or the individual as the case may be. It would merely add to the post-war problems of adjustment if industry made plans for permanent production in Canada on the assumption that this special exchange tax would be permanent.

The other exchange measure relates to automobiles, both imported and domestic. It is proposed that, in place of the present small excise tax on automobiles of 5 per cent on the value in excess of \$650, there be substituted a heavier tax on new passenger automobiles, steeply graded so as to be, it is expected, virtually prohibitive of the purchase of higher priced cars. It is this class of automobile which accounts for the major part of our imports of finished cars, and in so far as they are produced in Canada, they require the importation of parts and materials in higher proportion than the lower priced cars.

This tax will effectively help to prevent the drain on our foreign exchange which these imports cause. The proposed rates of excise tax to be imposed on the manufacturers' price of Canadian-made automobiles and on the duty-paid price of imported automobiles are as follows:

On the value up to \$700	10 per cent
On the excess over \$700 and up to \$900	20 per cent
On the excess over \$900 and up to \$1,200	40 per cent
On the excess over \$1,200	80 per cent

This tax, which is on sales by manufacturers and importers, will extend to cover also sales by dealers of new and unused cars now in dealers' hands.

It can hardly be argued that there is any undue sacrifice imposed on the Canadian citizen in asking him to postpone the purchase of higher priced cars for the duration of the war.

But the tax is not limited to higher priced cars; it falls, in a decreasing scale, on lower priced cars most of which are made in Canada but have a certain percentage of imported content. Productive capacity in Canada, and I believe also in the United States, will be more and more taken up with work on war equipment. Our production of automobiles will necessarily therefore be restricted if war work is to have priority. While not at the moment cutting off all production of passenger cars, this tax will, it is believed, restrain the demand and tend to keep it in balance with lowered production without causing the increase in price which might result from curtailed productive capacity and unrestrained demand. It is expected that any surplus of labour either in manufacturing establishments or in garages occasioned by this tax will be absorbed by war needs for the production and servicing of mechanical transport and other equipment.

Here again, then, the primary purposes of the tax are to save exchange and to release productive capacity for war purposes without dislocation of industry. Revenue is only incidental and will be comparatively small. It is anticipated that in the first full year of taxation it will yield \$3,500,000 in revenue, of which \$1,500,000 will be collected in the present fiscal year.

In addition to these two substantive measures of a fiscal character for conserving exchange the government through the policies of the Department of Munitions and Supply and through the operation of administrators appointed under the Wartime Prices and Trade Board, is also endeavouring to save foreign exchange in its own operations, and

it may, from time to time, in respect of certain classes of civilian imports, take other measures of a non-fiscal character for the purpose of meeting this vital need as circumstances seem to require.

I should add here that there is one important way in which our supplies of foreign exchange may be increased. Canada is fortunate in the strength and extent of her gold mining industry which in the last eight years has shown such a rapid expansion. Further expansion of output is the most immediate and important means at hand for directly augmenting our supplies of foreign exchange, and I think I can appeal with confidence to those engaged in producing gold to put forward every effort to increase their production as rapidly as possible.

In this connection I am glad to acknowledge assurances already from a number of important companies that it will be their policy to step up production as far and as fast as conditions permit. I realize that the rate of increase which is practicable will vary with the differing conditions at different mines, but I feel sure that the directors of each enterprise in the industry will review their situation and adjust their production policy in the light of the present need.

Even larger than our gold as a source of foreign exchange is the tourist industry that Canada has built up over many years. This year, the government provided for an increased appropriation to promote the expansion of this activity, but its effects may be at least partly offset by misinformation and misunderstandings regarding recent regulations and by unfounded rumours that have been circulated. Nearly every Canadian can help to increase our receipts of foreign exchange by stamping out these mischievous rumours and by encouraging our friends in the United States to visit us in Canada. This country is ready and anxious "to be a good host to a good neighbour".

We all should take particular pleasure in seeing that friendly visitors to this country are treated with the courtesy and cordial interest due to good and sympathetic neighbours, and that they are made to feel that we appreciate their coming. At no time have our friends from south of the border been more welcome, and we shall do everything we can to see that their coming to us and their stay with us is made as convenient and comfortable and enjoyable as it possibly can be. We want them to go back with the happiest recollections of their neighbourly visit to Canada.

The result of the two fiscal measures which I have outlined, namely, the war exchange

tax and the automobile tax, will not be to reduce our total imports of merchandise from non-Empire countries, of which the chief is, of course, the United States. As a matter of fact, these imports will, due to our war requirements, be greater than ever, but the important result of these measures will be that out of the total supply of foreign exchange which we can obtain by the export of our products, by the export of gold, by the sale of our tourist services, the maximum possible amount shall be made available for those purchases abroad of industrial materials, machinery and instruments of war which the imperious needs of war dictate.

As I have explained, these proposals for conserving exchange are dictated by the conditions of the present emergency. Needless to say, we regret that the exigencies of war make any such restrictive action necessary, and our fervent hope and firm resolve are that at the earliest possible moment we may be able to return to the long-run policy of this government, which is that of the progressive lowering of trade barriers and the encouragement of trade not only with the United States but with all peaceful nations. The government remains in fullest accord with the trade agreements programme in which Canada has cooperated with the United States, Great Britain and other countries, and has no intention or desire to alter by these emergency measures the permanent channels of trade.

The war exchange tax is peculiarly an emergency measure. It is of the type provided for by the war clause of the Canada-United States Trade Agreement, and action is taken under that clause. The operation of this proposed measure will, accordingly, end with the war.

Excess Profits Tax

I now come to the measures designed primarily for revenue. The first one is a new Excess Profits Tax Act. At the brief session of last September, parliament enacted a statute of this type. Under that legislation, a business to which the tax applied had the option to be taxed on either of two bases. Under option A, the tax was graduated according to the rate of return on capital. Under option B, the tax was fifty per cent of the excess of profits in the taxable year over those of a four-year pre-war base period. The tax was payable only in respect of profits of the year 1940 and fiscal years ending after March 31, 1940. Up to the present, no taxes have been collected under this act because the tax is not payable until four months after the end of a firm's fiscal year.

As I have already stated, this act was quickly drafted and placed on the statute book last fall in order to indicate one of the forms of war taxation which the government was adopting. In the brief time available it was impossible to give this form of taxation, new to Canada, the intensive and detailed study required to envisage its application under the varying conditions existing here. On further examination one main feature which appeared to be undesirable was the right of the taxpayer to choose between the two options. In the light of actual conditions it was found that many established firms would pay little or no tax, while others which had not been in business prior to the war, or had been operating in a depressed industry, or were undergoing rapid expansion, would be subject to what appeared to be unwarranted discrimination. There were many other situations both of substance and administration which required review. And so since the passing of the act in September the measure has been thoroughly overhauled and, as I intimated publicly over four months ago, very extensive amendments will be proposed and we have decided to recast the whole act. The new measure will be much more drastic but at the same time its application as between various industries and firms will be far more equitable.

I shall not attempt to summarize all the changes to be effected by the bill which will be submitted, but I should outline some of the main features of our proposals:

(1) Option A will be dropped altogether and we will instead rely wholly on the general principle of the British act which was also the principle followed in option B of the old act. On this basis we will increase the tax from 50 per cent to 75 per cent on the excess of profits in any taxable year over those earned in the base or standard period.

(2) In order to ensure that no profitable business will escape taxation, it is proposed that in no case of an incorporated company shall the excess profits tax, when combined with the corporate income tax, be less than 30 per cent of the company's total profits, whether or not such profits exceed pre-war profits. It will be remembered that the corporation income tax is 18 per cent.

The same result is achieved in the case of unincorporated businesses by provision that the excess profits tax shall never be less than 12 per cent of the total profits, whether or not such profits exceed pre-war profits.

(3) There will be a number of provisions for adjusting the base or standard profits in the case of newly established businesses, businesses whose capital employed or whose scale of operations has been or is rapidly expanding, and businesses operating in depressed industries whose base years show losses or abnormally small profits.

(4) In order that firms may not receive discriminatory treatment because their fiscal years happen to end on different dates it will be recommended that the tax in respect of all businesses shall apply to profits earned on and after the same date, namely, January 1, 1940, regardless of the expiry date of their fiscal year.

(5) The tax will not apply to businesses whose profits are not in excess of \$5,000, and allowance will be made for drawings in lieu of salaries not in excess of \$5,000 by sole proprietors or partners.

(6) To assist in carrying out these provisions fairly and realistically, the appointment of a board of referees will be proposed:

(7) In connection with the gold mining and the oil producing industries a different basis of adjusting base or standard profits appears necessary to deal with new and expanding companies. In the present emergency, as I stressed a little earlier, it is considered desirable to encourage the development of these natural resources, particularly because of their effect in directly increasing our supplies of hard currency exchange or in decreasing our requirements therefor.

These industries also require the risking, and very often the losing, of large amounts of capital in exploratory and development work before production commences. The results obtained from these expenditures are inherently erratic, depending on the possibility of a "lucky strike." If a "strike" is eventually made, increases in the scale of production or recovery are not closely related to increases in the amount of capital employed.

Consequently, for the purpose of adjusting standard profits in the case of expanding operations, the basis used will be not capital employed but number of units of output. In the case of a new development, standard profits will be calculated by taking into account the number of units of output in the taxable year and the average price of the product during the base period.

All companies in the gold mining or oil producing industries (except companies exempted temporarily from corporate income tax under section 89 of the Income War Tax Act) will, however, as in the case of all other companies, pay in excess profits tax and corporate income tax combined a minimum of 30 per cent of the total profits, whether or not such profits exceed pre-war profits.

You can readily appreciate how difficult it is to forecast the yield of a tax such as this, but our rough estimate is that in a full year's operation the excess profits tax will yield about \$100 million, of which approximately \$25 million will be collected during the current fiscal year.

Personal Income Tax

The next revenue measures proposed apply to individuals. They are:

First, sharp increases in the personal income tax by a revision upwards of rates throughout the whole range of taxable incomes and a lowering of exemptions;

Second, an over-riding flat rate tax, collectable at the source in most cases, in respect of all taxable incomes and including lower incomes than those covered by the income tax itself.

I will deal first with our proposals relating to personal income tax. This is the tax which in principle most nearly approximates ability to pay. We realize that increases in indirect taxes disguise the burdens imposed by the war but they are much more likely to distribute these burdens harshly and unfairly. While increases in such taxes may eventually be necessary, we are striving in this budget to deal with the situation (except in the case of particular commodities or where exchange considerations make special measures necessary) by a direct call on our citizens graded according to their means and responsibilities. We believe that a straightforward assessment of the contribution to the common cause will be loyally accepted and paid as a small price for the preservation of our liberties. Following out that principle, the government has, therefore, decided to submit not an increase in the sales tax but heavy increases in the direct tax on individual incomes.

In establishing the new rates, we have been limited by two insistent considerations. It would be popular, if it were practicable and possible, to pay the stupendous costs of war by imposing taxes only on those earning higher incomes. The stubborn fact is there is not enough income in the so-called higher brackets to produce more than a small fraction of the necessary revenue.

On the basis of 1938-39 figures, the latest which are available, the total of all incomes above \$50,000 was only \$35 million, and, under present rates, the tax on these would amount to \$20.5 million leaving only \$14.5 million available for provincial and municipal taxes and any further taxation by the dominion—to say nothing of living expenses and personal obligations. Similarly, in the group from \$25,000 to \$50,000, the aggregate income was only \$32 million, of which taxes at the present rates would take about \$10.8 million, leaving only \$21.2 million. Finally, it has to be noted that the total assessed income of all persons liable to income tax in the year 1938-39 was only \$730 million, and if we took from all these people the whole of their incomes in excess of \$2,000 a year we should obtain only \$144.5 million more than

we would get on these incomes at existing tax rates. When we compare these disappointing amounts of aggregate income available in these various income brackets, however drastically we might tax it, with the \$700 millions and upwards of war expenditure, to say nothing of the further expenditures of \$448 million on ordinary account, it is clear that we cannot go far to meet the costs of the war simply by taxing large incomes, or even those of moderate size.

The second consideration is that the dominion is not the only taxing authority levying steeply graduated rates on large incomes. Every province in Canada, except Nova Scotia and New Brunswick, now levies income taxes and in certain cities taxpayers must pay municipal income taxes as well as provincial income taxes. Ontario, Manitoba, and Prince Edward Island are the only provinces which allow, as a deduction from income, the tax paid to the dominion. All these authorities tax at different rates. This means that unless we are prepared to be entirely arbitrary and unfair and to set up schedules of rates which when added to the rates imposed by other taxing authorities would be nothing short of fantastic, the dominion must, in fixing its schedule of rates, take cognizance of the highest schedule of rates effective in any province. This is but an instance of the chaotic situation in the fiscal systems of Canada to which the Sirois report has drawn attention and which, I regret to say, appears to be getting worse rather than better.

There will, however, be no class in the community which will not recognize the necessity of bearing some part of the war burden. In the past our exemption limits have been considerate, to say the least. No income tax whatever has been paid by the single person receiving less than \$1,000 per year or by the married person receiving less than \$2,000 per year. In addition, the married person got a further exemption of \$400 for each child. Our rates of tax in the low and middle income groups have been low, very low indeed as compared with the rates on comparable incomes in the United Kingdom. While the increases in rates I have to propose will be substantial when expressed as a percentage of the comparatively low taxes formerly paid, the increase in the dollar amount per individual is not unduly large and will, I am confident, not be regarded as an undue burden when contributed to meet the situation which faces us all.

It is proposed that exemptions under the graduated Income Tax—that is, our present personal income tax act—which, as I have said, are at present \$1,000 for single persons

and \$2,000 for married persons, be reduced to \$750 and \$1,500 respectively. The exemption for each dependent child is left, as at present, at \$400. Under the proposed rates, the taxpayer, on the first \$250 in excess of the exemption, will pay 6 per cent instead of the present initial rate of 3 per cent. On the next \$750 of income the proposed rate is 8 per cent, and on the next \$1,000 in excess of exemptions 12 per cent, and so on upwards. In the past dependence on indirect taxation has left incomes which were just above the exemption limits taxable at very low rates, and, hence, the increases are necessarily proportionately greater on the groups receiving incomes between the exemption limit and, say, \$10,000, than on those receiving higher incomes. Nevertheless, the rates on high incomes, already steeply graduated, have also been increased as much as we consider they can practicably be increased, having regard to the taxes levied on these same incomes by certain provinces and municipalities.

I may add that we have at the same time simplified the structure of income tax rates by doing away with the old 5 per cent surtax and the 20 per cent war surtax imposed last fall and substituting therefor a schedule of higher rates throughout the whole range of incomes.

National Defence Tax

I come now to the second revenue measure applicable to individuals—and I think I should deal with this measure and then give the house illustrations of how the two measures combined work out in connection with individual incomes:

To supplement the graduated income tax we propose a national defence tax at a flat rate applicable to all incomes above \$600 for single persons and above \$1,200 for married persons. The rate of tax for married persons will be 2 per cent if the income exceeds \$1,200, and for single persons the rate will be 3 per cent if the income exceeds \$1,200 and 2 per cent if the income exceeds \$600 and is not more than \$1,200. But there is a proviso that in no case will the income of the taxpayer be reduced below \$600 or \$1,200 as the case may be. For dependent children, a deduction from tax equal to the rate of 2 per cent on the usual \$400 exemption for each dependent child is to be allowed. Thus, a married person with an income of \$1,400 and three dependent children would be liable to a tax of \$28 (2 per cent of \$1,400) minus \$24 in tax credits for children, leaving \$4 as the tax payable.

As far as it is administratively practicable this tax will be collected at the source. Thus employers will deduct the tax from the em-

ployee's earnings when the pay is at the rate of \$600 per year in the case of unmarried employees and \$1,200 per year in the case of married employees, and companies will deduct the tax from dividends and interest on registered corporate bonds. In cases where the full amount payable has not been deducted and in all other cases where the annual income amounts to or exceeds the minimum amounts of \$600 or \$1,200, as the case may be, the taxpayer is required to make a return as in the case of the graduated income tax.

It is recognized that there will be a good deal of additional work for employers and their staffs in making deductions and returns, and provision will be made toward reimbursing employers for expenses so incurred. Employers, however, can by their cooperation and interest help greatly in working out the methods to be adopted and in making the system operate efficiently and fairly and with a minimum of inconvenience both to their employees and to themselves. I feel sure that under the circumstances we can count upon the full cooperation of employers in this additional task which they are called on to perform in the national interest at this time.

Tax Examples

It might be useful if I now gave a few examples showing how the new income tax rates taken along with the national defence tax which I have briefly described will affect certain classes of taxpayers. Let us take the case of the single person, with no dependents, earning \$800 a year. Under our existing income tax law he would not pay any income tax since he is at present exempt up to \$1,000. Under the legislation just proposed, however, the \$800 single man will be required to pay the national defence tax of 2 per cent of his total earnings which is \$16, and under the income tax he would pay 6 per cent on the amount of his income in excess of \$750, which is the new exemption figure for income tax purposes. This income tax would thus amount to \$3 (6 per cent of \$50). Consequently, his total tax per year would be \$19 where previously he paid no tax.

A single man with no dependents earning \$1,500 would pay \$100 under the new proposals where he now pays only \$18.

A married man with no dependents earning \$2,000 is at present just on the exemption line, and pays no tax. Under the new set-up his tax bill will be \$75.

Perhaps some hon. members would be interested in knowing how the new measures will affect the position of a married man with an income of \$4,000 a year. Under our existing tax he pays \$84; under the new measures he will pay \$355. If he has two children he will

pay \$223 under these new taxes compared to \$45.60 under the present tax. A single man with the same income now pays \$144, and under the new measures he will pay \$525.

To illustrate the effect of the changes in the case of higher incomes, a married man, with no dependents, having an income of \$20,000, pays \$3,112 under the present tax, and will pay \$6,530 under the new taxes. With an income of \$200,000 he pays the dominion \$103,698 under the present rates, and under the new taxes he will pay \$119,430 or 59.7 per cent of his income. Adding provincial and in certain cases municipal income taxes as well, we find that the latter married man with no dependents, if he lives in Ontario, will pay \$129,679 or 64.8 per cent of his total income; if he lives in Montreal, he will pay \$149,516 or 74.8 per cent of his total income; and if he lives in British Columbia, he will pay \$170,425 or 85.2 per cent of his total income.

Let me give a few additional illustrations to show the relative burden of our new rates as compared with the British income tax rates. Take a married man with no dependents living in Ontario. If he receives an income of \$1,000, he will pay no tax in Canada—that is, he is under the exemption limits provided for by the national defence tax (\$1,200 for married men) and by the regular income tax (\$1,500 for married men)—while his British cousin in like circumstances would pay \$14.31. If his income is \$1,500, he will pay 33 per cent of the amount he would pay in Britain; if it is \$4,000, he will pay 46 per cent of the British tax; if it is \$10,000 he will pay 71 per cent of the British tax; if it is \$200,000 he will pay 86 per cent of the British tax; and finally, if he should have an income of \$500,000, he will pay 94 per cent of what he would have to pay in Britain. If he happened to live in certain other provinces, his total tax would be a

considerably higher percentage of the comparable British tax and in the higher brackets of income would in some cases exceed the United Kingdom tax. Thus, a married man with no dependents and an income of \$50,000, living in Quebec, would pay 107 per cent of the British tax, and if he were living in British Columbia he would pay 114 per cent of the British tax. If his income were \$200,000 he would pay 99 per cent of the British tax if he lived in Quebec, and 113 per cent of such tax if he lived in British Columbia.

It is anticipated that the increases in the income tax will contribute \$58 million of new revenue in a full year of operation, but none of this will be available in the current fiscal year. It is estimated that the national defence tax will provide \$35 million additional revenue in a full year but only \$20 million in the current fiscal year. To make it quite clear let me emphasize that this national defence tax is the only direct tax imposed by the dominion on unmarried persons with incomes from \$600 up to \$750 per year and on married persons with incomes from \$1,200 up to \$1,500 per year. On incomes of \$750 and up in the case of single persons and of \$1,500 and up in the case of married persons, both the income tax and the national defence tax apply.

For the convenience of hon. members, I shall now table a statement showing for a number of different incomes the amount of tax payable to the dominion under the existing income tax, the amount payable under the new income tax rates and the national defence tax combined, the total amount payable to the dominion combined with the amount payable in each of the several provinces where income taxes are imposed, and the percentage of the British tax which a man living in Ontario would pay in dominion and provincial taxes combined:

INCOME TAX COMPARISONS

(MARRIED PERSONS WITH NO DEPENDENTS)

Income	Present Dom. Tax	New Dom. Tax with Nat. Def. Tax	NEW DOMINION TAX PLUS NATIONAL DEFENCE TAX PLUS INCOME TAX PAYABLE IN										United Kingdom Tax (£1=\$4.45)	New Dom. Tax with Nat. Def. Tax and Ont. Tax as % of U.K. Tax
			B.C.		Alta.	Sask.	Manitoba	Ontario	Prov. Que. and Montreal		P.E.I.			
			\$	c.	\$	c.	\$	c.	\$	c.	\$	c.			$	c.	%
\$ 1,500		30 00	35 00	30 00	30 00	45 00	30 00	30 00	32 50	141 00	21.3			
2,000		75 00	85 00	85 00	103 90	75 00	83 75	85 73	328 50	22.8				
3,000	36 00	105 00	225 00	230 00	236 50	251 70	207 97	228 75	703 50	29.5				
4,000	84 00	355 00	415 00	425 00	427 00	440 55	384 50	437 50	1,078 50	35.7				
5,000	144 00	555 00	655 00	670 00	667 50	678 34	603 62	714 25	1,453 50	41.5				
10,000	781 20	2,170 00	2,675 00	2,660 00	2,658 25	2,532 60	2,336 35	2,859 50	3,550 07	65.8				
15,000	1,789 20	4,330 00	5,590 00	5,445 00	5,450 88	4,996 60	4,643 35	5,740 50	5,993 83	77.5				
20,000	3,112 20	6,530 00	8,895 00	8,555 00	8,546 00	7,582 70	7,030 90	8,675 50	8,715 07	80.7				
30,000	6,514 20	11,500 00	15,375 00	15,900 00	15,443 05	13,230 40	12,175 00	14,910 00	14,796 31	82.3				
50,000	14,351 40	21,610 00	30,605 00	32,310 00	30,937 15	25,980 09	23,721 80	28,823 50	26,943 19	88.0				
75,000	25,880 40	36,065 00	52,060 00	54,265 00	52,928 53	43,298 12	39,561 55	48,162 75	46,216 94	85.6				
100,000	39,299 40	51,520 00	74,515 00	77,220 00	77,232 40	61,586 54	56,382 20	68,424 00	66,547 56	84.7				
150,000	70,043 40	84,475 00	121,470 00	125,175 00	129,597 18	100,168 37	92,044 00	107,770 00	108,265 69	85.0				
200,000	103,698 00	119,430 00	170,425 00	175,130 00	183,977 18	140,711 25	129,679 75	149,516 00	150,765 69	86.0				
500,000	334,656 00	357,235 00	492,230 00	502,935 00	538,332 18	407,257 58	381,103 30	433,682 00	405,765 69	93.9				

Other Tax Proposals

It is on the foregoing taxes that we depend for the bulk of the necessary increase in revenue, but there are a number of other changes, some of which will contribute substantial sums to the treasury and some of which are proposed largely as readjustments of unsatisfactory situations.

Smokers' supplies are again made the subject of tax increases. It is proposed that the excise tax on matches shall be increased from three-quarters of a cent to one cent per hundred. It is further proposed that the excise tax on cigarettes weighing less than two and a half pounds per thousand shall be raised to \$6 from the present rate of \$5. The rate on manufactured tobacco is to be increased from 25 cents to 35 cents per pound. To prevent a substantial decline in the revenue from cigarettes and cut tobacco because of these high rates, it has been necessary to impose a tax of 10 cents a pound on the sale of raw leaf tobacco and to increase the tax on cigarette papers and tubes from 2 cents to 5 cents per hundred. The tax on raw leaf tobacco will only apply on sales to consumers. The grower may sell to the merchant or dealer or manufacturer without tax. The rates under the Special War Revenue Act on cigars will also be increased. It is estimated that in a full year these new or increased rates will yield \$15,540,000 of new revenue, of which \$11,680,000 will fall in during the present fiscal year.

It is proposed that the present excise tax on automobile tires and tubes shall be increased from 2 cents and 3 cents per pound respectively to 5 cents and it is anticipated that from this change \$1,100,000 in revenue will be derived in a full year and \$825,000 in the current year.

It is proposed that a new excise tax of 10 per cent will be imposed on radios, radio tubes, cameras and phonographs. While this is in the class of sumptuary taxes there is the further consideration that the resources used in the production of most of these products are of a type suitable for producing war supplies and it is expected that such manufacturing capacity as may be affected by any lessening or lack of increase in demand due to this tax will prove useful in war work. It is estimated that the approximate yield of this tax will be \$1,500,000 in the full year and \$1,100,000 in the current fiscal year.

There are proposed also a number of readjustments in taxes. Since the sales tax on dressed and dyed furs is imposed at the initial point of processing and not on the finished fur garment, it is proposed that the rate be 12 per cent rather than 8 per cent as at present in order more nearly to equalize

this tax with the 8 per cent sales tax which is imposed on finished cloth garments. The present exemptions under the sales tax for home canners and for farmer florists are to be restricted to fixed quotas so as to facilitate administration in confining the benefit of the exemptions to bona fide farmers. The tax on carbonic acid gas which last September was proposed to secure revenue from the soft drink trade is to be increased from 2 cents to 5 cents per pound. These revisions, it is estimated, will yield \$550,000 in the full year, and \$415,000 in the current fiscal year.

In addition to the major features of the budget programme which I have outlined, there will also be found in the resolutions a number of proposed amendments to our taxing statutes which either involve tax changes of a minor nature or are designed to remove anomalies and facilitate administration. For instance, in the income tax resolutions there will be a provision for clarifying and extending the definition of income to cover payments made to life annuitants under purchased annuity contracts, and the exemption now accorded to dominion, government and like annuities up to \$1,200 per year will be removed in respect of all new contracts. Also in order to prevent evasion of either the income tax or the excess profits tax it is proposed to give power to the treasury board to rule in any specific case that a transaction or reorganization has been of a specious character designed to avoid or minimize taxes and that therefore the taxpayer should be assessed without regard thereto.

With regard to the customs tariff: five reports from the tariff board will to-day be laid on the table. The reports on cyanides and firebrick and the two on aircraft arise out of the reference made to the tariff board on December 5, 1938. This reference instructed the board to revise the whole of the drawback schedule. The items now being reported upon relate to industries connected with our war effort. The report on the radio industry reiterates most of the recommendations made in the earlier report on this subject presented to parliament during the first session of 1939 and provides for the widening of the scope of the existing tariff items covering parts and materials of radio receiving sets and radio tubes.

Tariff Proposals

The tariff changes to be announced to-day, implement the recommendations of the tariff board as shown in the reports now tabled and apart from these affect only five commodities. One of the amendments proposed provides for duty-free entry of sodium nitrates, regardless

of the purpose for which imported. This material is now being used in connection with the production of alloys for steel but the existing duty-free provision did not cover this use. Material for use in the manufacture of nicotine sprays will henceforth be admitted duty free. Forgings for the manufacture of scissors and shears will be admitted at the special rates now applicable to blanks for knives, forks and spoons. The proposed amendment of the item covering dressed lumber permanently removes an anomaly temporarily taken care of by an item due to expire on July 1, 1940. The only other tariff change provided for continues the reduced rates of duty that have applied for several years to imports of rayon fabric now being used in the manufacture of certain rubber tires.

The measure enacted during the special session last September, providing for additional duties of customs, is being amended. The additional duty on manufactured tobacco of all descriptions, except cigars, cigarettes and snuff, is increased from 5 cents per pound to 15 cents per pound, and the additional duty on cigarettes is increased from \$1 to \$2 per thousand. These increases are necessary to correspond with the additional excise duties

which I have announced as applicable to domestic tobacco items.

In the case of tea, while no change is being made in the actual rates of additional duties imposed last September, the value brackets are being lowered to bring a greater quantity of the imports of tea within the scope of the tax of $7\frac{1}{2}$ cents per pound. Previously the lowest rate of tax, 5 cents per pound, was allowed where the value was less than 35 cents per pound. Under the proposed change only tea valued at less than $22\frac{1}{2}$ cents per pound will be entitled to the low 5 cents per pound rate. The two remaining value brackets are also reduced accordingly.

Estimated Yield of New Taxes

I may summarize the results of the new and increased taxes which we are recommending by stating that we expect them to produce an increase in revenue of approximately \$280 million for a full year. Of this total it is expected that about \$110 million will be paid into the treasury during the balance of the current fiscal year. The house will realize how difficult it is under present conditions to predict with any degree of precision the yield of some of these new taxes. But I give below the results of such estimates as we have been able to make:

	Full year	Balance of current fiscal year
Taxes proposed	\$100,000,000	\$ 25,000,000
Graduated personal income tax.....	58,000,000	nil
National defence tax.....	35,000,000	20,000,000
War exchange tax.....	65,000,000	50,000,000
Automobile excise tax.....	3,500,000	1,500,000
Taxes on tobacco and smokers' supplies.....	15,500,000	11,700,000
Taxes on radios, radio tubes, cameras and phonographs.....	1,500,000	1,100,000
Taxes on tires and tubes.....	1,100,000	800,000
Office tax.....	500,000	400,000
	\$280,100,000	\$110,500,000

SUMMARY

Earlier this afternoon I estimated \$650 million as the probable revenue for the present year without increases in taxes. Adding the \$110 million which we expect to receive as a result of these new taxes, we get a total estimated revenue of \$760 million. This may be increased somewhat as a result of prepayment of taxes because a number of individuals and corporations have already reported that they intend to make instalment payments in advance on account of their taxes which will not be due until next April. We can therefore take the figure of \$760 million as a conservative estimate of our aggregate revenues.

Taking our expenditures at \$1,148 million, our over-all deficit for the year would amount

to \$388 million, but that assumes that our war expenditures will not exceed the \$700 million war appropriation already voted by parliament. There are still the further war commitments already made which I have roughly estimated at another \$150 million to \$200 million, and these will not be all. This means that in spite of the very heavy increase in taxes which I have proposed, it is not safe to count on an over-all deficit less than from \$550 million to \$600 million. This will be a staggering deficit, larger indeed than our total governmental expenditures during the depression years.

Whatever the total deficit may be, it will have to be met by borrowing except to the extent of cash on hand. We shall also have to raise funds to continue the repatriation programme which I have already described.

If we assume that the amount on this account will be of the order of \$200 million, we may conclude that our total cash requirements for the year will be roughly of the order of \$750 million to \$800 million. However, we began the year with cash in hand of approximately \$187 million and as a result of the sale of war savings certificates and stamps we expect to raise during the balance of the year approximately \$50 million. This would leave approximately \$550 million to \$600 million to be raised by the issue of new long-term loans. These are impressive sums but I know that they are not beyond the capacity of our markets to absorb under the conditions of expanding business and rising national income which I believe we have every reason to expect. I repeat, the limits of our war programme are not fiscal, but physical, mental and moral.

In the foregoing calculations I have, you will note, included in revenue only the yield of the new and increased taxes which we expect to be actually paid into the treasury before March 31st, namely, \$110 million. But all our tax proposals relate to incomes, profits or transactions that will be earned or made during the current fiscal year. Not for the purpose of government accounting but in order to learn the answer to the question which I posed earlier this afternoon as to the relative reliance we intend to place on taxation and borrowing, it would be appropriate to take into account the total yield of our new or increased taxes, whether or not the proceeds will be actually received before the end of the fiscal year. On this basis we would add to the \$650 million estimated as the probable total revenue from our existing tax structure during the year, the whole \$280 million which is the expected yield of the new or increased taxes which I have proposed, making a total of \$930 million instead of \$760 million. This would mean that if our total war expenditures should amount to \$900 million, the programme which we are proposing is designed to secure for such war expenditures from tax revenues the sum of \$482 million (that is, the difference between the figure of \$930 million I have just given and \$448 million of anticipated government expenditures on non-war activities). As compared with this \$482 million, there would be left a gap of \$418 million to be financed by borrowing or by cash already in hand. I think the house will agree that a very serious effort is being made to carry the pay-as-you-go policy as far as is practicable. Of course, this comparison of the relative amounts to be provided by taxation and by borrowing will be less favourable if our war expenditures exceed \$900 million.

Conclusion

It is natural, Mr. Speaker, that comparisons should be made between the new tax rates and rates previously levied, and such comparisons will reveal great increases, particularly in income taxes, corporation and personal. But there are some other considerations which should be remembered. In the first place, we have not, in the lower and middle brackets at least, come near to the levels of income tax imposed in the United Kingdom. In the second place, there is every likelihood that during the present fiscal year our national income may be expected to show a very substantial increase. The government will be pouring into the income stream many hundreds of millions of dollars, while much of the taxes payable under the measures we propose will not be withdrawn from incomes until late this year or in some cases until next year. Thirdly, with rising incomes, taxes even of this degree of severity can be borne without deprivation, and their imposition at this time will avoid the necessity of still heavier increases in taxation in the days after the war when incomes may be falling.

Fourthly, to those who may have any fear of the effects of these taxes on business in this country, I say that businessmen and individuals alike must strain every nerve to meet the needs of this hour. The taxes herein imposed on business are heavy taxes, but for the most part they fall on profits, and the more we can find practical means of paying as we go, the more we will improve the long-run outlook for business as well as individual prosperity in this country.

The proposals, Mr. Speaker, which I have outlined are an attempt to help to meet the crisis in terms of taxation. They bear upon all classes in the community. If the taxation provisions are the most drastic which have ever been imposed upon this country, they are certainly no more drastic than the present hour and the present need demand. The future may well demand still more.

I ask those who think that they are too drastic to bring both their common sense and their idealism to the rescue of their opinions. Common sense will ask them what will become of their property or incomes if Germany and Italy should conquer the British empire. Idealism will teach them that money and material things are as nothing compared with the freedom and the dignity which it alone can bring as a benediction to the life of man.

At this time everything which we treasure and the survival of the things of the spirit and mind and soul which are the most precious of all, will depend upon the willingness and the capacity of men of our blood and kith and kin to endure and to die.

We who remember our fathers and know our sons have no cowardly doubts or weak misgivings.

I will not dishonour the word sacrifice by applying it to anything except the gift of life itself. But, knowing the Canadian people, I am confident that they will shrink from no contribution to insure to the soldiers and sailors and airmen of Britain and Canada all the machines and equipment which can be produced or procured.

The overwhelming majority of men and women of the sturdy races which make up Canadian citizenship are at their best in days of trial.

A farmer offers me the total proceeds of his four-hundred acre wheat crop, and all the increases of his live stock for Canada's war chest.

The wife of a small wage earner begs me to place a heavy income tax on her own small income.

A small industrial firm agrees to give all its profits for the duration of the war.

A veteran of 1914, with a disability pension of \$47 a month as the sole income of a family of five, sends me all he has to give, a collection of old coins, and the caretaker of one of our militia armouries sends me \$20 each month.

With such examples to challenge and inspire us, I cannot believe that any man in Canada will complain about his burden, or by greed, panic or selfish fear, betray his Canadian citizenship in the hour of Canada's need.

Britain is giving her blood, her treasure, her all. We proudly share her courage, her sacrifice and her unshakable resolution. Britain will not fall. Freedom will not perish, and Canada will fail neither the commonwealth nor the cause.

RESOLUTIONS

Mr. Speaker, I beg to give notice that when we are in committee of ways and means I shall move the following resolutions:

INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:—

1. That the rates of tax applicable to persons other than corporations shall be increased to the rates of tax set forth in the following schedule:

A.—Rates of Tax Applicable to Persons other than Corporations and Joint Stock Companies

On the first \$250 of net income or any portion thereof in excess of exemptions 6 per centum or \$15 upon net income of \$250; and 8 per cent upon the amount by which the income exceeds \$250 and does not exceed \$1,000 or

\$75 upon net income of \$1,000; and 12 per centum upon the amount by which the income exceeds \$1,000 and does not exceed \$2,000 or

\$195 upon net income of \$2,000; and 16 per centum upon the amount by which the income exceeds \$2,000 and does not exceed \$3,000 or

\$355 upon net income of \$3,000; and 20 per centum upon the amount by which the income exceeds \$3,000 and does not exceed \$4,000 or

\$555 upon net income of \$4,000; and 24 per centum upon the amount by which the income exceeds \$4,000 and does not exceed \$5,000 or

\$795 upon net income of \$5,000; and 27 per centum upon the amount by which the income exceeds \$5,000 and does not exceed \$6,000 or

\$1,065 upon net income of \$6,000; and 30 per centum upon the amount by which the income exceeds \$6,000 and does not exceed \$7,000 or

\$1,365 upon net income of \$7,000; and 33 per centum upon the amount by which the income exceeds \$7,000 and does not exceed \$8,000 or

\$1,695 upon net income of \$8,000; and 35 per centum upon the amount by which the income exceeds \$8,000 and does not exceed \$9,000 or

\$2,045 upon net income of \$9,000; and 37 per centum upon the amount by which the income exceeds \$9,000 and does not exceed \$10,000 or

\$2,415 upon net income of \$10,000; and 39 per centum upon the amount by which the income exceeds \$10,000 and does not exceed \$20,000 or

\$6,315 upon net income of \$20,000; and 41 per centum upon the amount by which the income exceeds \$20,000 and does not exceed \$30,000 or

\$10,415 upon net income of \$30,000; and 44 per centum upon the amount by which the income exceeds \$30,000 and does not exceed \$40,000 or

\$14,815 upon net income of \$40,000; and 47 per centum upon the amount by which the income exceeds \$40,000 and does not exceed \$50,000 or

\$19,515 upon net income of \$50,000; and 50 per centum upon the amount by which the income exceeds \$50,000 and does not exceed \$75,000 or

\$32,015 upon net income of \$75,000; and 53 per centum upon the amount by which the income exceeds \$75,000 and does not exceed \$100,000 or

\$45,265 upon net income of \$100,000; and 56 per centum upon the amount by which the income exceeds \$100,000 and does not exceed \$150,000 or

\$73,265 upon net income of \$150,000; and 59 per centum upon the amount by which the income exceeds \$150,000 and does not exceed \$200,000 or

\$102,765 upon net income of \$200,000; and 63 per centum upon the amount by which the income exceeds \$200,000 and does not exceed \$300,000 or

\$165,765 upon net income of \$300,000; and 67 per centum upon the amount by which the income exceeds \$300,000 and does not exceed \$400,000 or

\$232,765 upon net income of \$400,000; and 72 per centum upon the amount by which the income exceeds \$400,000 and does not exceed \$500,000 or

\$304,765 upon net income of \$500,000; and 78 per centum upon the amount by which the income exceeds \$500,000.

2. That the additional rate of tax applicable to all persons other than corporations and joint stock companies in receipt of income in excess of \$5,000 in the amount of five per centum, be repealed.

3. That the war surtax of twenty per centum as enacted by sections two, three and four of chapter 6 of the 1939 statutes (second session), be repealed.

4. That the statutory exemption of a married person and other persons with dependent relatives as set forth in paragraph (c) of subsection 1 of section five of the act be reduced from \$2,000 to \$1,500.

5. That the statutory exemptions of all other persons except corporations, be reduced from \$1,000 to \$750.

6. That a tax of five per centum be imposed upon Canadian residents with respect to all interest or dividends paid or payable by Canadian debtors in a currency which is at a premium in excess of five per centum in terms of Canadian funds.

7. (a) That the income accrued or earned during the life of any deceased person shall, when paid, be taxable income in the hands of his executors or trustees.

(b) That income received by executors or trustees and capitalized shall be taxable income of such executors or trustees.

8. (a) That the qualifications of personal corporations as set forth in the act shall be extended to include revenue derived from the hire of chattels or from charter party fees.

(b) That a company shall not be deemed to be a personal corporation if it carries on an active commercial or industrial business.

9. That as a means of insuring the collection of tax from non-resident transient persons who earn salary, fees, commissions or other remuneration in Canada, there shall be withheld an amount of fifteen per centum of such remuneration as a credit against the tax found due upon the filing of the income tax return of such person.

10. That the rate of tax applicable to rents and royalties payable to non-residents of Canada shall be on the gross amount thereof, and in the case of non-resident corporations the rate shall be fifteen per centum, and in the case of non-resident persons other than corporations the rate shall be five per centum, and the Canadian debtor shall withhold such tax before making payment to the non-resident.

11. That the rate of tax applicable to corporations shall be eighteen per centum (in the case of consolidated returns twenty per centum) on the profits of the year 1940, and in the case of fiscal periods ending in 1940 prior to December 31, the said rate shall apply to that proportion of the profits thereof which the number of days of the said fiscal period in the year 1940 bears to the total number of days of such fiscal period.

12. That the section of the act in respect of depreciation be amended to provide for the elimination of duplicate depreciation in respect of assets after their transference to persons who have substantially the same equity or interest in the said assets after their transfer as they had before the transfer.

13. That the distribution of otherwise tax free profits of a family corporation made after 31st December, 1942, shall render such profits so distributed liable to income tax.

14. That the act be amended to prevent evasion by giving power to the treasury board to direct that a taxpayer be assessed without regard to any transaction or reorganization which in the opinion of the treasury board, is of a specious character designed to avoid or minimize tax, whether any such transaction or reorganization was entered into with persons or corporations resident outside or within Canada.

15. That in order to prevent evasion the Minister of National Revenue (hereinafter called the minister) shall have power to determine what are reasonable disbursements for advertising, repairs, salaries and other operating and administrative expenses.

16. That the amount paid by proprietors of a business, other than a corporation, by virtue

of the Excess Profits Tax Act shall be allowed as a deduction from their incomes for purposes of income tax in proportion to their interests in the said business.

17. (1) That the definition of income be clarified and extended to cover the amount of annuity payments made to life annuitants under purchased annuity contracts.

(2) That the exemption now accorded to dominion government annuities and like annuities sold by provincial governments and insurance companies shall not apply in respect of all contracts issued subsequent to June 24, 1940, nor to contracts or extensions of contracts made since that date to holders of options or contractual rights in existence at that date.

(3) That purchasers of annuities be entitled to deduct the annual amounts paid out by them in purchasing annuity contracts not to exceed \$300 per year.

18. (1) That in addition to the income tax there be imposed a national defence tax on all persons in respect of their income.

(a) in the case of married persons, of two per centum on the total net income if the income exceeds \$1,200 per year;

(b) in the case of single persons, of two per centum on the total net income if the income exceeds \$600 and does not exceed \$1,200 per year; or three per centum if the said income exceeds \$1,200 per year.

Provided, however, that if the effect of such tax would be to reduce the income of any person below the relevant amount specified above, then to the extent it would so reduce the income the tax shall not be exigible;

Provided, further, that there shall be allowed a tax credit on an amount of \$400 at a rate equal to two per centum in respect of each dependent child or grandchild, brother or sister of the taxpayer under twenty-one years of age, and each child, grandchild, brother, sister, parent, or grandparent over twenty-one years of age dependent on account of mental or physical infirmity and resident in Canada;

(2) That every employer be required to deduct the tax imposed in respect of earnings of the employee earned or accruing due during and after July, 1940;

(3) That every employer remit the tax collected at the source on the sixteenth day of September, 1940, and on the fifteenth day of each month thereafter;

(4) That incorporated companies paying interest on bonds or other like obligations registered as to interest, or paying dividends, irrespective of the amount, to persons on record in their office or that of their agents, be required to deduct and collect the taxes imposed from each payment made to residents of Canada, paid in the case of interest, and declared and paid in the case of dividends, after the twenty-fourth day of June, 1940;

(5) That each incorporated company remit the tax collected at the source in respect of interest and dividends on or before the fifteenth day of the month immediately following the date of payment, the first remittance however to be made on the sixteenth day of September, 1940;

(6) That every person liable to taxation in respect of whom the deduction of the national defence tax on the full income has not been made be required, on or before the thirtieth day of April in each year, to deliver to the minister a return of his total income during the preceding year and pay the tax as in the Income War Tax Act provided;

(7) That the national defence tax be applicable to the income of 1940 and all subsequent years except that in respect of the income of the year 1940 the tax shall be imposed only on one-half of the income if the income for the whole year exceeds the relevant amount specified in resolution No. 18(1);

(8) That the income of the following persons shall not, except as in this resolution provided, be liable to the national defence tax

(a) incorporated companies;

(b) persons and institutions mentioned in paragraphs (a) to (i) inclusive and in paragraphs (p) and (q) of section four of the Income War Tax Act;

(c) members of the Canadian naval, military and air forces shall be exempt from tax while such members are on active service beyond Canada or are on active service in Canada and whose duties are of such a character as are required normally to be performed afloat or in air craft, but only to the extent of their service pay and allowances.

19. That the resolutions numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17 and 18 hereof shall be applicable to the income of the 1940 taxation period and fiscal periods ending therein and of all subsequent periods.

20. That the resolution numbered 10 hereof be applicable to payments made after the 24th June, 1940.

EXCESS PROFITS TAX ACT

Resolved, that it is expedient to reenact the Excess Profits Tax Act and to provide:

1. That the option of using rates "A" be deleted, and that the excess profits be the difference between the profits of the year of taxation and the profits of the standard or base period.

2. That the standard profits be determined with reference to the average profits of the standard or base period being the years, 1936, 1937, 1938 and 1939, except as provided in resolution 5 hereof.

3. That the rate of tax on the excess profits be increased from fifty per centum to seventy-five per centum.

4. That on all profits a minimum tax be paid by every taxpayer under the Excess Profits Tax Act, such minimum to be a tax of twelve per centum on the total profits of the business before deducting income tax, and to be payable in all cases unless the tax provided in resolution 3 hereof is greater than the said minimum tax, in which case only the greater shall be paid.

5. That a board of referees (hereinafter called the board) be established with discretionary power, subject to the approval of the Minister of National Revenue (hereinafter called the minister), to ascertain a standard of profits for new businesses or businesses depressed during the standard period subject to the following:

(a) in the case of a business depressed during the standard period the minister may direct that the board ascertain a standard of profits at an amount which they think just, being a return of not less than five nor more than ten per centum of the capital employed;

(b) in the case of a new business other than that of the operation of a gold mine or an oil well, if it has been commenced since January 1st, 1938, the minister may direct that the board ascertain a standard of profits at an amount which they think just, provided that the said amount represents a rate of return

on the capital employed by the taxpayer equal to the average rate of return of taxpayers in similar circumstances engaged in the same or analogous classes of business;

(c) in the case of a taxpayer engaged in the operation of a gold mine or an oil well which has come into production since January 1st, 1938, the minister may direct that the board ascertain a standard of profits at such an amount which they think just on the basis of a presumed volume of production during the standard period equal to the volume of production in the taxation year and a presumed selling price for the product during the standard period equal to the average selling price of the said product during the standard period.

6. That the minister may adjust the standard profits so as to ensure the comparison of like with like in the following cases:

(a) where the accounting period in the taxation year is longer or shorter than the standard accounting period;

(b) where the capital employed in the taxation year has been substantially increased or decreased over that of the standard period by the contribution or withdrawal of capital;

(c) in the case of gold mines and oil wells where the volume of production in the taxation year has been substantially increased or decreased over that of the standard period.

7. That there be exempted from the tax imposed under the said act:

(a) small businesses where the profits before any salary or drawings by proprietors or shareholders do not exceed five thousand dollars per annum;

(b) personal corporations which act solely as investment-holding agencies of individual Canadian taxpayers;

(c) non-resident-owned investment corporations.

8. That sole proprietorships or partnerships be allowed to claim as a deduction such reasonable amount for salaries paid to the proprietor, or partners as the minister may determine, not to exceed five thousand dollars per year for each.

9. That in the case of a taxpayer who acquired a business as a going concern since January 1st, 1938, the minister may direct that the standard profits of the predecessor may be added to those of the taxpayer if the minister is satisfied that the trade or business of the predecessor and the taxpayer is not substantially different.

10. That the definition of average profits during the standard period be revised to provide that only the profits of the standard period shall be taken into account when determining the average of the years during the standard period when the taxpayer was in business.

11. That, in order to prevent evasion, power be given the minister to:

(a) disallow the deduction of disbursements by the taxpayer which the minister in his discretion may determine to be in excess of what is reasonable and normal for the business;

(b) assess without regard to specious transactions or reorganizations which the treasury board has found to have no reasonable business purpose other than that of avoidance or minimization of taxation.

12. That capital be redefined having regard to the cost price of the assets presently employed by the taxpayer less depreciation or depletion thereof, and deducting borrowed money and debts, with a proviso that non-productive

assets, assets not actually employed in the production of profits, and assets producing tax-exempt income, shall not be included.

13. That there be allowed a tax credit in respect of the amount of excess profits tax or similar tax paid to the government of the United Kingdom or to the governments of other members of the British commonwealth of nations or to the governments of allies of the United Kingdom, if such governments allow a reciprocal credit for Canadian-paid excess profits tax.

14. That the act shall apply to the profits of the year 1940, and in the case of a fiscal period ending in 1940 prior to December 31, that the act shall apply to that proportion of the profits thereof which the number of days of the said fiscal period in the year 1940 bears to the total number of days of such fiscal period.

SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to introduce a measure to amend The Special War Revenue Act, and the amendments thereto and to provide,

1. That section seventy-six of the said act be repealed and the following substituted therefor:—

“76. (1) Except as hereinafter provided, every manufacturer and every importer of matches shall affix to every package of matches manufactured by him or imported into Canada, an adhesive or other stamp of the value of one cent for each one hundred matches or fraction of one hundred matches contained in such package.

(2) When matches are put up in packages containing not more than fifty matches and not less than thirty-one matches each, the tax shall be payable at the rate of one-half of one cent for each package, and when matches are put up in packages containing not more than thirty and not less than twenty-six matches each, the tax shall be payable at the rate of three-tenths of one cent for each package, and when matches are put up in packages containing not more than twenty-five and not less than twenty-one matches each, the tax shall be payable at the rate of one-fourth of one cent for each package and when matches are put up in packages containing less than twenty-one matches each, the tax shall be payable at the rate of one-fifth of one cent per package.

(3) No manufacturer or importer shall sell or import matches unless they are in packages.”

2. That subsection one of section seventy-seven A of the said act be amended by providing that the excise tax on packets of cigarette papers be increased from two cents to five cents for each one hundred leaves or fraction thereof contained in such packet.

3. That subsection two of section seventy-seven A of the said act be amended by providing that the excise tax on packages of cigarette paper tubes be increased from two cents to five cents for each one hundred cigarette paper tubes or fraction thereof contained in each such package.

4. That subsection four of section eighty-six of the said act be amended by increasing the tax from eight per cent to twelve per cent upon the current market value of all furs dressed and/or dyed in Canada.

5. That the said act be amended by adding thereto after section eighty-eight the following section:

“88A. (1) In addition to any duty or tax that may be payable under this Act, or any other statute, there shall be imposed, levied and collected a war exchange tax of ten per cent on the value for duty of all goods imported into Canada, payable by the importer or transferee who takes the goods out of bond for consumption at the time when the goods are imported or taken out of warehouse for consumption.

(2) The tax imposed by this section shall not apply to any goods imported into Canada,—

(a) which are entitled to entry under the British preferential tariff, or under trade agreements between Canada and other British countries;

(b) Which are entitled to entry under Customs Tariff items 360, 460, 690, 690a, 696a, 700, 700a, 701, 702, 703a, 704, 705, 705a, 706, 707, 708, 709; or to fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada and the products thereof carried from the fisheries in such vessels.

(3) Where the Wartime Prices and Trade Board reports to the government in council that any producer or producers of goods have taken advantage of the tax imposed by this section to increase the price of such goods by an amount greater than is justified by any increases properly arising from such tax in the cost of materials or parts entering into the production of such goods or to maintain prices of such goods at levels greater than are so justified, the Governor in Council may, upon the recommendation of the said Board, impose upon all or any of the products of any such producer an excise tax at a rate not to exceed ten per cent of the selling price of such products for such period of time as he may determine, remove or reduce customs duties applicable thereto for such period of time as he may determine, fix the prices thereof and/or take such other measures and impose such penalties as he may determine.”

6. That the provisions of section eighty of the said act levying taxes on articles manufactured or produced in Canada enumerated in schedules I and II to the said act be amended to provide that the taxes mentioned therein shall apply at the time of delivery.

7. That schedule I to the said act be amended by repealing section one thereof and substituting therefor the following:—

“1. (a) Automobiles adapted or adaptable for passenger use, with seating capacity for not more than ten persons each, valued at

\$700 or less.....	10 per cent.
Over \$700 but not more than \$900	10 per cent on \$700 plus 20 per cent on the amount in excess of \$700.

Over \$900 but not more than \$1,200	10 per cent on \$700 plus 20 per cent on \$200 plus 40 per cent on the amount in excess of \$900.
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Over \$1,200	10 per cent on \$700 plus 20 per cent on \$200 plus 40 per cent on \$300 plus 80 per cent on the amount in excess of \$1,200.
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(b) Automobiles adapted or adaptable for passenger use with seating capacity for more than ten persons.....5 per centum

Provided that the tax collected under paragraph (b) above shall in no case exceed \$250 per automobile;

Provided further that the tax on automobiles shall apply on the total price charged for such automobiles, which price shall include all charges for accessories, optional equipment, servicing, financing, warranty or any other charge contracted for at time of sale, whether charged for separately or not, but not to include heaters or radios;

Provided further that the tax on automobiles shall apply to any such vehicles in transit to dealers or others;

Provided that if a new and unused automobile is on the twenty-fifth day of June one thousand nine hundred and forty in the hands of a dealer and not delivered to another purchaser the tax shall be paid by such dealer when such automobile is delivered.

Provided further that the tax shall not apply to automobiles imported:—

(i) Under customs tariff items 702, 706, 707 and 708;

(ii) by a bona fide settler on a first arrival;

(iii) by a beneficiary resident in Canada, under the terms of a will of a person dying in a foreign country."

8. That schedule I to the said act be further amended by adding at the end thereof the following section:—

"5. Cameras, phonographs, radios and radio tubes.....10 per centum"

9. That schedule II to the said act be amended by repealing section one thereof and substituting therefor the following:—

"Cigars:—

(a) Valued at not more than forty dollars per thousand, per thousand.....\$1

(b) Valued at more than forty dollars per thousand and not more than one hundred and ten dollars per thousand, per thousand.....\$6

(c) Valued at more than one hundred and ten dollars per thousand and not more than one hundred and fifty dollars per thousand, per thousand.....\$14

(d) Valued at more than one hundred and fifty dollars per thousand and not more than two hundred dollars per thousand, per thousand.....\$20

(e) Valued at more than two hundred dollars per thousand, per thousand.....\$32

Provided that the value on imported cigars shall be the duty paid value as defined in section seventy-nine of this act; the value on cigars manufactured in Canada shall include the amount of excise duty payable thereon."

10. That schedule II to the said act be further amended by repealing section three thereof and substituting therefor the following:—

"Tires and tubes:—

(a) Tires in whole or in part of rubber for automotive vehicles of all kinds, including trailers or other wheeled attachments used in connection with any of the said vehicles....5 cents per pound

(b) Inner tubes for use in any such tires...5 cents per pound

Provided the tax hereby imposed shall not apply to the goods mentioned herein when used exclusively for the original equipment of such automotive vehicles."

11. That schedule II to the said act be further amended by repealing section four thereof and substituting the following:—

"4. Carbonic acid gas and similar preparations to be used for aerating non-alcoholic beverages.....5 cents per pound."

12. That schedule III to the said act be amended by striking out under the heading of "Farm and Forest," in the eighth and ninth lines the following words:

"farm produce sold by the individual farmer of his own production,"

and substituting therefor the following words:

"farm produce sold by the individual farmer of his own production, not to include canned fruits or vegetables when produced in excess of 10,000 cans of one pound each or their equivalent, per annum, nor flowers, flowering plants or bulbs, when the sales thereof exceed \$500 per annum."

13. That any enactment founded on this resolution shall be deemed to have come into force on the twenty-fifth day of June, one thousand nine hundred and forty, and to have applied on all goods imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for which no entry for consumption was made before that day.

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the Schedule to the Excise Act, 1934, and to provide:—

1. That the duty of excise on malt syrup as defined by paragraph (c) of section six of the Excise Act, 1934, when imported into Canada and entered for consumption be increased from twenty-one cents per pound to twenty-five cents per pound.

2. That the duty of excise on tobacco of all descriptions manufactured in Canada, except cigarettes, be increased from twenty-five cents per pound to thirty-five cents per pound actual weight.

3. That the duty of excise on cigarettes manufactured in Canada which was formerly \$5 per thousand when weighing not more than three pounds per thousand be increased to \$6 per thousand when weighing not more than two and one-half pounds per thousand.

4. That the duty of excise on cigarettes manufactured in Canada which was formerly \$11 per thousand when weighing more than three pounds per thousand shall now apply to cigarettes weighing more than two and one-half pounds per thousand.

5. That a duty of excise of ten cents per pound actual weight apply on all Canadian raw leaf tobacco when sold for consumption.

6. That any enactment founded on paragraphs one, two, three and four of this resolution shall be deemed to have come into force on the twenty-fifth day of June, one thousand nine hundred and forty, and to have applied to all

goods mentioned therein imported or taken out of warehouse for consumption on and after that day and to have applied to goods previously imported for consumption for which no entry for consumption was made before that day.

7. That any enactment founded on paragraph five of this resolution shall come into force on the first day of August, one thousand nine hundred and forty.

CUSTOMS TARIFF

1. Resolved, that schedule A to the customs tariff, being chapter forty-four of the revised statutes of Canada, 1927, as amended by chapter seventeen of the statutes of 1928, chapter thirty-nine of the statutes of 1929, chapter thirteen of the statutes of 1930 (first session), chapter three of the statutes of 1930 (second

session), chapter thirty of the statutes of 1931, chapter forty-one of the statutes of 1932, chapters six and thirty-seven of the statutes of 1932-33, chapters thirty-two and forty-nine of the statutes of 1934, chapter twenty-eight of the statutes of 1935, chapter thirty-one of the statutes of 1936, chapter twenty-six of the statutes of 1937, chapter forty-one of the statutes of 1939 (first session) and chapter two of the statutes of 1939 (second session), be further amended by striking thereout tariff items 209b, 210, 210e, 281a, 281b, sub-division (a) of item 429, 440l, 440m, 440n, 445o, 445p, 505, 505b, 791 and 825, the several enumerations of goods respectively and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said schedule A:

Tariff Item		British Preferential Tariff	Preferential Rates		
			General Tariff	Intermediate Tariff	British Preferential Tariff
208	Materials, including all parts, entering into the cost of cyanide of potassium and cyanide of sodium, when imported by manufacturers of cyanide of potassium and cyanide of sodium for use in their own factories.	Free	Free	Free	Various (subject to 99 p.c. drawback)
209b	Nitrate salts of nicotine, penicillidic preparations containing nicotine in a free or combined state, for dipping, spraying or fumigating, n.o.p.	Free	10 p.c.	Free	Free
210	Peroxide of soda; silicate of soda in crystals or in solution; bichromate of soda; sulphide of sodium; nitrate of soda; arsenate, bicarbonate, chlorate, bisulphite and stannate of soda; prussiate of soda and sulphite of soda.	Free	15 p.c.	Free	15 p.c.
210e	Nitrate of soda or cubic nitre.	Free	Free	Free	Free
281a	Fire brick, n.o.p., of a class or kind not made in Canada, for use exclusively in the construction or repair of a furnace, kiln, or other equipment of a manufacturing establishment.	Free	15 p.c.	Free	15 p.c.
281b	Fire brick, n.o.p.	5 p.c.	22½ p.c.	15 p.c.	20 p.c.
429	Cutlery of iron or steel, plated or not: (a) Knife blades or blanks, and table forks, of iron or steel, in the rough, not handled, ground nor otherwise manufactured; spoon blanks of iron or steel, in the flat, not further manufactured than stamped to shape; blanks, of iron or steel, for scissors and shears, in the rough, not ground nor otherwise manufactured.	Free	10 p.c.	7½ p.c.	7½ p.c. (17½ p.c.)
440f	Aircraft and complete parts thereof, n.o.p., not including engines, under regulations prescribed by the Minister.	Free	27½ p.c.	25 p.c.	25 p.c.
440m	(i) Unfinished parts of aircraft, n.o.p., not including parts of aircraft engines.	Free	27½ p.c.	15 p.c.	27½ p.c. 25 p.c. 27½ p.c. 30 p.c. 30 p.c.

Tariff Item		Present Rates			
		British Preferential Tariff	Intermediate Tariff	Intermediate Tariff	General Tariff
440m	(ii) Direct or inertia starters with or without related operating gear and parts thereof; generators; voltage control boxes; batteries; de-icing and anti-icing equipment and parts thereof, not including parts of rubber; vacuum pumps with related operating gear and parts thereof; landing and navigation lights; propellers; hydraulic jacks and pumps and parts thereof; aircraft wheels; aircraft brakes with related operating gear; aircraft tires and tubes; oil coolers; fuel pressure warning devices; exhaust gas analysers; pressure fire extinguishers; primer pumps; instruments excepting fuel contents gauges; bolts, nuts, coaks, turnbuckles, clevis and pins, swaged wires and tie rods; bars, tubes, extrusions and forgings of aluminum, aluminum alloys and magnesium alloys; steel tubing; all of the foregoing when of types and sizes not made in Canada and imported by manufacturers of aircraft for use exclusively in the manufacture in their own factories of the goods enumerated in tariff item 440l, under such regulations as the Minister may prescribe, provided that not less than sixty per centum of the factory cost of production of the aircraft is incurred in the British Empire.	Free	Free	27½ p.c.	27½ p.c.
440n	Engines, when imported for use only in the equipment of aircraft.	Free	25 p.c.	27½ p.c.	27½ p.c.
440o	(i) Carburetors, magnetos, distributors, coils and spark plugs and complete parts thereof; all of the foregoing when of a class or kind not made in Canada when imported for use in aircraft engines.	Free	Free	27½ p.c.	27½ p.c. 15 p.c.
		{ Free Free	{ (subject to drawback)	25 p.c. 12½ p.c.	25 p.c. 15 p.c.
	(ii) Parts, finished or not, n.o.p., for aircraft engines.	Free	7½ p.c.	25 p.c. Various (subject to drawback)	27½ p.c. Various
445o	Acid-free capacitor tissue and paper, plain and gummed; metal cans, extruded, plated or unplated; automatic record changers; parts for pickups; bias cells and holders; frames, yokes, brackets, pole-pieces, gaskets and field covers, separate or assembled for use in speakers with mounting diameter not exceeding 6½ inches; cones, spiders, spider sus-				

pensions, voice coils and voice coil dust covers, parts thereof for permanent magnet speakers; glass dial crystals and scales and metal dials or scales for use in timepieces, watches, pocket watches, frequency circuit switches and essential components thereof; high frequency iron cores with or without inserts moulded therein; motors and gears for automatic tuning; radio frequency ceramics; raw low loss mica; sheets and punchings of low loss mica; tube fibre in sheets, rods, strips or tubing; high frequency coil forms and tubing having an outside diameter not exceeding one inch; for use in the manufacture or the repair of the goods enumerated in tariff items 443d, 537a, and other apparatus using radio tubes, or for use in the manufacture of parts thereof.

445p

Ceramic parts; copper alloys for welding; getter and getter assemblies; glass parts; metal bulbs and shields and metal bearings, metal parts; metal assemblies; wire snubbers, clips and straps; wire of molybdenum and molybdenum alloy; nickel and nickel alloy; wire, ribbon, screen and strip, coated or not, carbonized or not; metal cathodes; nickel, nickel alloy and nickel plated parts, coated or not, carbonized or not; tungsten and tungsten alloy and zinc wire; leads, spuds and welds; iron parts designed for sealing to glass; hooks and supports; base pins; wire and strip of silver copper, chrome copper, chrome iron or plated iron; top cap assemblies; graphite anodes, heaters and filaments; all the foregoing when imported by manufacturers of radio tubes and parts thereof, for use exclusively in the manufacture of such articles, in their own factories.

Planks, boards, deals and other lumber of wood, not further manufactured than planed, dressed, jointed, tongue and grooved, n.o.p.

505

Materials of all kinds for use only in producing or manufacturing preparations provided for in tariff items 209b and 219a, under regulations prescribed by the Minister of National Revenue.

791

Woven cord tire fabric, wholly or in chief part by weight of artificial silk or similar synthetic fibres, not to contain silk nor wool, coated with a rubber composition, when imported prior to July 1st, 1941, by manufacturers of rubber, to be incorporated by them in pneumatic tires, in their own factories.

825

30 p.c.
30 p.c.Free
25 p.c.{ Free.
Free

30 p.c.

Free

Free

30 p.c.
30 p.c.Free
25 p.c.{ Free
Free

30 p.c.

Free

Free

25 p.c.
20 p.c.22½ p.c.
10 p.c.{ 17½ p.c.
10 p.c.

25 p.c.

10 p.c.

10 p.c.

Free
VariousFree
Various{ Free
Various

Free

Free

Free

25 p.c.

15 p.c.

Free

25 p.c.

15 p.c.

Free

2. Resolved, that schedule A to the Customs Tariff, as amended, be further amended by deleting from The Customs Tariff Amendment Act, 1939, being chapter two of the statutes of 1939 (second session), the following enumerations of goods and rates of additional duties of customs:

"Manufactured tobacco of all descriptions except cigars, cigarettes and snuff—5 cents per pound.

Cigarettes weighing not more than three pounds per thousand—\$1 per thousand.

Tea, when the value for duty thereof under the provisions of the Customs Act:

- (a) is less than 35 cents per pound—5 cents per pound.
- (b) is 35 cents or more but less than 45 cents per pound—7½ cents per pound.
- (c) is 45 cents or more per pound—10 cents per pound."

and by substituting therefor the following enumerations of goods and rates of additional duties of customs:

"Manufactured tobacco of all descriptions except cigars, cigarettes and snuff—15 cents per pound.

Cigarettes weighing not more than three pounds per thousand—\$2 per thousand.

Tea, when the value for duty thereof under the provisions of the Customs Act:

- (a) is less than 22½ cents per pound—5 cents per pound.
- (b) is 22½ cents or more but less than 30 cents per pound—7½ cents per pound.
- (c) is 30 cents or more per pound—10 cents per pound."

3. Resolved, that schedule B to the Customs Tariff be amended by striking thereout tariff items 1042, 1044 and 1063.

4. Resolved, that any enactment founded upon the foregoing resolutions to amend the Customs Tariff or schedules thereto shall be deemed to have come into force on the twenty-fifth day of June, nineteen hundred and forty, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

APPENDIX
TO
THE BUDGET, 1940-41

Budget Papers presented by the
Honourable J. L. Ralston, M.P., for the
information of Parliament on the occasion of the
Budget of 1940-41

- A. Review of Government Accounts, 1939-40.
- B. Review of Economic and Financial Conditions,
1939-40.

DOMINION OF CANADA

A. GOVERNMENT ACCOUNTS, 1939-40

COMPARATIVE SUMMARY STATEMENT OF REVENUES AND EXPENDITURES

1. As the final figures for the fiscal year 1939-40 are not as yet available, all statements dealing with revenues, expenditures, investments and balance sheet items are estimated. It is expected that when the books of the year are finally closed, any variations from the figures shown herein will be of slight importance.

2. The following tables show, by main categories and in detail, revenues, expenditures and the increase in net debt for the fiscal year 1939-40, together with comparable figures for the four preceding fiscal years:

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Tax Revenues—					
Customs import duties.....	74,004	83,771	93,456	78,751	104,301
Excise duties.....	44,410	45,957	52,037	51,314	61,032
War tax revenues—					
Banks.....	1,281	1,210	1,107	1,014	949
Insurance companies.....	761	775	867	891	926
Income tax.....	82,710	102,365	120,366	142,026	134,449
Sales tax.....	77,552	112,832	138,055	122,139	137,446
Manufacturers', importations, stamps, transportation taxes, etc.....	35,181	39,641	42,764	39,572	28,582
Tax on gold.....	1,413	—	—	—	—
Total revenue from taxes.....	317,312	386,551	448,652	435,707	467,685
Non-tax Revenues—					
Canada Grain Act.....	1,213	1,192	680	1,156	1,711
Canada Gazette.....	49	48	47	49	55
Canals.....	890	1,004	1,866	723	762
Casual.....	4,636	6,276	6,597	7,440	9,373
Chinese revenue.....	6	7	2	2	2
Electricity.....	542	646	692	726	715
Fines and forfeitures.....	295	134	209	211	88
Fisheries.....	42	56	60	52	54
Gas inspection.....	91	93	88	84	81
Insurance inspection.....	147	152	162	172	179
Interest on investments.....	10,614	11,231	13,120	13,163	13,394
Lands, Parks and Forests.....	458	478	541	681	677
Marine.....	222	263	336	377	349
Mariners' fund.....	187	205	206	211	278
Military college.....	20	20	20	20	14
Militia pensions revenue.....	178	187	194	209	233
Ordnance lands.....	16	15	16	20	18
Patent and copyright fees.....	455	464	452	442	416
Penitentiaries.....	68	62	63	82	137
Post Office.....	32,508	34,275	35,546	35,288	36,729
Premium, discount and exchange.....	36	—	27	478	7,940
Public Works.....	251	274	318	297	306
Radio Licences.....	1,574	(1) 990	—	—	—
R.C.M.P. officers' pensions.....	11	10	11	11	11
Weights and measures.....	401	396	393	416	411
Total non-tax revenue.....	54,910	58,478	61,646	62,310	73,933
Total ordinary revenues.....	372,222	445,029	510,298	498,017	541,618
Special Receipts—					
Sundry receipts.....	320	(2) 8,464	3,010	1,256	164
Other credits—					
Refunds on capital account.....	27	616	1,543	40	21
Credits to non-active accounts.....	27	45	819	2,858	20,292
Net credit resulting from various adjustments in Railway accounts authorized by Canadian National Railways Capital Revision Act, 1937	—	—	1,023	—	—
Total Special Receipts and Credits.....	374	9,125	6,395	4,154	20,477
Grand Total Revenue.....	372,596	454,154	516,693	502,171	562,095

(1) As from November 1936, radio licence fees have been deposited to credit of The Canadian Broadcasting Corporation.

(2) Includes \$8,000,000 from Canadian Wheat Board taken into the accounts as an offset, in part, the disbursements in 1935-36 re losses on 1930 wheat pool and stabilization operations.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS**

(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE					
Agriculture.....	9,399	8,741	9,017	9,527	11,817
Auditor General's Office.....	429	423	463	473	459
Civil Service Commission.....	259	305	358	379	398
External Affairs, including Office of Prime Minister.....	1,290	1,341	1,450	1,057	1,228
Finance—					
Interest on Public Debt.....	134,549	137,410	132,118	127,996	129,315
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	3,577	3,839	4,555	4,914	4,992
Premium, Discount and Exchange (net).....	—	400	—	—	—
Subsidies to Provinces.....	13,769	13,735	13,735	13,752	13,769
Special Grants to Provinces.....	3,975	3,225	7,475	7,475	5,475
Other Grants and Contributions.....	736	540	560	643	660
Civil Pensions and Superannuation....	854	787	712	638	574
Government contribution to Super- annuation Fund.....	1,875	2,019	2,065	2,220	2,271
Old Age Pensions, including pensions to blind persons commencing in 1937- 38.....	16,764	21,149	28,653	29,044	29,977
General Expenditure.....	3,654	3,498	3,573	3,659	3,959
Fisheries.....	1,710	1,691	1,850	2,036	2,320
Governor General and Lieutenant Gov- ernors.....	219	224	225	226	227
Insurance.....	163	172	187	194	195
Justice.....	2,748	2,773	2,790	2,748	2,725
Penitentiaries.....	2,377	2,372	2,577	2,675	2,941
Labour.....	660	720	706	788	788
Technical Education.....	99	76	49	27	31
Government Annuities—					
Payments to maintain reserve.....	272	541	8,941	—	—
Legislation—					
House of Commons.....	1,486	1,760	1,516	1,800	1,286
Library of Parliament.....	76	75	79	72	76
Senate.....	491	587	536	600	432
General.....	55	73	57	75	68
Dominion Franchise Office.....	498	53	76	50	—
Chief Electoral Officer, including elec- tions.....	1,089	72	45	114	458
Mines and Resources—					
Administration.....	—	—	(¹) 1,491	(¹) 184	(¹) 180
Immigration and Colonization.....	1,322	1,313	1,163	1,335	1,338
Indian Affairs.....	4,869	4,904	4,897	5,305	5,579
Interior.....	2,939	2,887	—	—	—
Lands, Parks and Forests.....	—	—	1,910	2,249	2,117
Surveys and Engineering.....	—	—	933	1,325	1,406
Mines and Geological Survey.....	1,040	1,135	658	1,340	1,325
Movement of Coal and Subsidies under Domestic Fuel Act.....	2,103	2,277	2,521	1,921	4,532
National Defence—					
Administration.....	—	—	—	(²) 409	(¹) 166
Militia Service.....	10,141	11,346	17,221	15,772	5,995
Naval Service.....	2,380	4,763	4,372	6,590	1,869
Air Service.....	3,777	5,822	10,018	11,216	4,852
Sundry Services.....	879	992	1,149	447	310
National Revenue (including Income Tax).....	10,963	11,205	11,870	11,899	12,064
Pensions and National Health—					
Administration.....	—	—	—	(²) 118	(²) 126
Treatment and after-care of returned soldiers.....	11,060	11,579	12,109	13,453	14,778
Pensions, War and Military.....	42,790	42,801	42,240	42,181	42,217
Health Division.....	993	873	957	1,012	1,113

(¹) Prior to 1937-38 general administration expenses were not segregated from other expenditures of the respective services of the departments which were amalgamated to form the Department of Mines and Resources. The figures from 1938-39 represent only Departmental Administration, other administration costs being included as in other departments, under the respective services.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Continued
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE—Concluded					
Post Office.....	31,438	31,906	33,762	35,456	36,727
Privy Council.....	46	45	48	49	59
Public Archives.....	165	160	170	159	149
Public Printing and Stationery.....	169	169	161	191	199
Public Works.....	12,945	14,519	12,382	15,484	13,066
Royal Canadian Mounted Police.....	6,165	5,901	6,308	6,145	5,667
Secretary of State.....	705	655	693	730	836
Soldier Settlement.....	762	806	801	758	621
Trade and Commerce.....	3,458	5,523	4,070	4,763	4,950
Canada Grain Act.....	1,848	1,739	1,675	1,847	1,983
Mail Subsidies and Steamship Subven- tions.....	2,426	2,120	2,029	1,993	1,907
Transport—					
Administration.....	—	—	(²) 417	(²) 371	(²) 364
Air Service.....	—	—	(²) 2,935	(²) 3,457	(²) 3,862
Marine Service.....	5,857	5,614	4,290	4,271	4,215
Canadian Radio Commission.....	1,500	878	—	—	—
Canadian Travel Bureau.....	248	250	250	249	312
Railways and Canals.....	4,002	3,769	3,661	4,371	3,756
Maritime Freight Rates Act.....	2,348	2,506	3,183	2,583	2,660
Railway Grade Crossing Fund.....	128	54	180	187	255
Total ordinary expenditure.....	372,539	387,112	414,892	413,032	397,996
CAPITAL EXPENDITURE					
Canals.....	458	52	—	—	—
Railways.....	287	203	71	26	23
Public Works.....	5,799	3,237	4,359	5,398	7,006
Total capital expenditure.....	6,544	3,492	4,430	5,424	7,029
SPECIAL EXPENDITURE					
Unemployment Relief Act, 1930.....	26	—	—	—	—
Unemployment Relief Act, 1931.....	26	—	—	—	—
Unemployment Relief Act, 1932.....	111	—	—	—	—
Unemployment Relief Act, 1933.....	494	—	—	—	—
Unemployment Relief Act, 1934.....	1,152	—	—	—	—
Unemployment Relief Act, 1935.....	48,027	—	—	—	—
Administration—Relief Acts.....	—	194	378	260	287
Grants-in-aid to Provinces.....	—	28,930	19,493	17,037	—
Material Aid to Provinces, including municipal improvements projects.....	—	—	—	—	19,534
Dominion share of joint Dominion- Provincial projects.....	—	12,692	8,841	6,259	7,147
Dominion Projects.....	—	23,554	13,913	12,981	24,919
Transportation facilities into mining areas	—	1,221	1,324	1,213	1,121
Railway Maintenance Relief Work.....	—	2,662	—	—	—
	49,836	69,253	43,949	37,750	53,008
Western Drought Area Relief—					
Direct Relief.....	—	5,144	11,925}	8,869	1,605
Feed and fodder and freight thereon..	—	3,517	11,352}	—	—
Freight charges on movement of cattle	—	90	—	—	—
Expenses of marketing cattle.....	—	—	337	—	—
Purchase and distribution of food stuffs.....	—	—	972	277	—
Prairie Farm Assistance Act, 1939— Net Expenditure.....	—	—	—	—	7,500
	—	8,751	24,586	9,146	9,105

(²) Prior to 1937-38 in the case of the Department of Transport and prior to 1938-39 in the case of National Defence and Pensions and National Health general administration expenses were not segregated from other expenditure of the respective services of the departments.

(²) Prior to 1937-38 expenditures on civil aviation, now the Air Service Branch of the Department of Transport, were included under expenditures for the Air Service Branch of the Department of National Defence.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Continued

(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
SPECIAL EXPENDITURE—Concluded					
Public Works Construction Acts.....	29,581	—	—	—	—
1930 Wheat Crop Equalization Payments Act.....	6,600	—	—	—	—
Loss on 1930 Wheat Pool and stabilization operations—					
Payment to Canadian Wheat Board of net liability assumed as at Dec. 2, 1935.....	15,856	—	—	—	—
Loss on 1930 oats pool under guarantee of bank advances to Canadian Co- operative Wheat Producers, Limited	174	—	—	—	—
Provision for reserve against estimated losses on 1938 wheat marketing guarantees.....	—	—	—	25,000	27,000
	52,211	—	—	25,000	27,000
War Expenditure.....	—	—	—	—	118,340
Total special expenditure.....	102,047	78,004	68,535	71,896	207,453
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Fund—					
Canadian National Railway System, ex-eastern lines.....	41,796	37,449	37,882	48,194	34,851
Eastern Lines.....	5,625	5,854	4,464	6,120	5,245
Prince Edward Island Car Ferry and Terminals.....	—	—	—	(1) 388	427
Canadian National Steamships.....	270	—	—	—	—
National Harbours Board.....	1,126	250	289	138	94
Trans-Canada Air Lines.....	—	—	111	818	412
Central Mortgage Bank.....	—	—	—	—	16
Total charged to consolidated fund.....	48,817	43,553	42,746	55,658	41,045
Loans and advances non-active—					
Canadian National Steamships.....	(Cr.) 333	(Cr.) 1,754	104	6	8
National Harbours Board.....	2,456	2,419	1,983	3,279	1,027
Total non-active advances.....	2,123	665	2,087	3,285	1,035
Total government-owned enter- prises.....	50,940	44,218	44,833	58,943	42,080
OTHER CHARGES					
Write-down of assets chargeable to Con- solidated Fund—					
Drought Area Relief Loans, 1934-35—					
Province of Saskatchewan.....	—	—	—	—	1,374
Reduction in soldier and general land settlement loans.....	488	628	750	1,023	1,643
Yearly established losses in seed grain and relief accounts—Department of Mines and Resources.....	27	44	14	18	10
Canadian National Railways Securi- ties Trust Stock—Reduction due to line abandonments during calendar years 1938 and 1939.....	—	—	(*) —	2,713	2,600
Cancellation of Canadian Farm Loan Board—Capital Stock.....	—	20	10	14	11
Province of Manitoba Treasury Bills..	—	—	(*) 805	—	—
Province of Saskatchewan Treasury Bills.....	—	—	—	—	(*) 17,682

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Concluded**
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
Non-active Accounts—					
General Land Settlement Loans.....	—	—	139	—	—
Active assets transferred to non-active.	—	(*) 18,487	—	—	—
Fulfilment of guarantees—					
The Saskatchewan Seed Grain Loans					
Guarantee Act, 1936.....	—	—	—	—	2,638
Total other charges.....	515	19,179	1,718	3,768	25,958
Grand total expenditures.....	532,585	532,005	534,408	553,063	680,516

(1) Included with Eastern lines in previous years.

(2) An amount of \$711,000 representing line abandonments during the calendar year 1937 was included in the adjustments resulting from the Canadian National Railways Capital Revision Act, 1937.

(3) Dominion contribution to Voluntary Debt Adjustment Program effected in Provinces of Manitoba and Saskatchewan respecting Drought Area Relief that was financed by the Dominion up to January 1, 1935—Manitoba \$805,000, Saskatchewan \$17,682,000.

(4) These amounts are offset by a contra account on the revenue side.

SUMMARY OF REVENUES AND EXPENDITURES
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Ordinary expenditures.....	372,539	387,112	414,892	413,032	397,996
Ordinary revenues.....	372,222	445,029	510,298	498,017	541,618
Deficit (—) or surplus (+) on ordinary account.....	—317	+57,917	+95,406	+84,985	+143,622
Special expenditures.....	102,047	78,004	68,535	71,896	207,453
Less special receipts.....	320	8,464	3,010	1,256	164
Balance.....	101,727	69,540	65,525	70,640	207,289
Add—Capital expenditures.....	6,544	3,492	4,430	5,424	7,029
" Government owned Enterprises...	50,940	44,218	44,833	58,943	42,080
" Other charges.....	515	19,179	1,718	3,768	25,958
	159,726	136,429	116,506	138,775	282,356
Less other credits.....	54	661	3,385	2,898	20,313
	159,672	135,768	113,121	135,877	262,043
Add deficit or deduct surplus as above..	317	57,917	95,406	84,985	143,622
Over-all deficit or increase of direct net debt.....	159,989	77,851	17,715	50,892	118,421

REVENUES, 1939-40

3. The total revenues of the Dominion from taxation and other sources, not including \$20,292,000 of credits to non-active account which necessarily appears also on the expenditure statement, aggregated \$541,893,000. This represents an increase of \$26,952,000 or 5.2% over the previous all-time record revenue received in the fiscal year 1937-38. Compared with last fiscal year, 1938-39, the increase was \$42,490,000, or 8.5%.

4. Total revenue from taxation amounted to \$467,685,000, an increase of \$31,978,000 over that collected in the previous year. With the exception of (1) income tax, and (2) manufacturers', importations, stamps, transportation taxes, etc., the main sources of taxation recorded substantial increases over last fiscal year. These increases arose out of taxation changes effected by the emergency budget of September 12, 1939 and improvement of business conditions generally.

5. The sales tax replaced income tax as the largest single revenue producer. Receipts from this tax totalled \$137,446,000, an increase of \$15,307,000 over 1938-39. This increase was due in part to improvement in general business activity and in part to the removal from the schedule of exemptions of electricity and gas used for domestic purposes, salted or smoked meats and canned fish, as provided for in the budget of September 12, 1939.

6. Income tax receipts totalled \$134,449,000, a decline of \$7,577,000 from that collected in the previous year. This decline was principally in the collections of the tax on corporation incomes based on 1938 earnings. Of the receipts, \$77,920,000 was from the tax on corporation incomes, \$45,407,000 from the tax on individual incomes, and \$11,122,000 from the 5% tax collected at the source on interest and dividends.

7. Other excise taxes including the stamp tax on cheques, etc., and the taxes on sugar, automobiles and rubber tires, matches, toilet preparations, pullman tickets, telegraph and telephone messages and other miscellaneous commodities realized \$28,582,000, a decrease of \$10,990,000 from the previous year. The removal of the 3% tax on importations under the intermediate tariff resulted in a loss in revenue from this source of \$13,612,000. The difference, namely \$2,622,000, represents the net increase in other items of excise taxes.

8. Receipts from excise duties, mainly on liquor and tobacco totalled \$61,032,000, an increase of \$9,718,000. This increase was due largely to the increased duties on liquor and tobacco following the budget of September 12, 1939.

9. The greatest increase in revenues from any one source occurred in customs import duties, where a total of \$104,301,000 was realized, compared with \$78,751,000 for the previous fiscal year, an increase of \$25,550,000 or 32.4%. Of this increase it is estimated that approximately \$6,600,000 was obtained from the tariff increases provided for in the September, 1939, budget. The balance of the increase reflects improvement in conditions generally, due in part at least to expanding activity brought about by the war.

10. Non-tax revenues or revenues from services rendered by the various departments and interest on investments, totalled \$73,933,000 compared with \$62,310,000 in the previous year. The largest non-tax item is the receipts of the Post Office which totalled \$36,729,000 during 1939-40, an increase of \$1,441,000 over the preceding fiscal year. The cost of operations of the Post Office last year was practically the same as its receipts, there being a nominal surplus of \$2,000. Last fiscal year there was a nominal deficit of \$168,000. The Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

The second largest non-tax revenue item is Interest on Investments which totalled \$13,394,000, an increase of \$231,000 over that received in the previous year.

Casual Revenue including mint handling charges and net profits on coinage, Dominion's share of surplus profits of the Bank of Canada, receipts from various provinces for services rendered by the Royal Canadian Mounted Police and other miscellaneous items totalled \$9,373,000.

The large amount shown as Premium, Discount and Exchange revenue is due mainly to the redemption of the $3\frac{1}{2}\%$ 1930-50 loan of £28,162,776, which was called for payment and paid at the current rate of sterling.

11. Special Receipts and other credits amounted to \$20,477,000. The main item in this category is the credit of \$20,292,000 made up of \$17,682,000 of Province of Saskatchewan treasury bills written off from non-active account; \$2,600,000 of Canadian National Railways Securities Trust Stock written off because of line abandonments during the calendar year 1939; and \$10,000 representing the yearly established losses in the seed grain and relief accounts of the Department of Mines and Resources. All of these amounts necessarily appear on the expenditure statement under the heading of "Other Charges".

EXPENDITURES, 1939-40

12. The comments which follow will deal with expenditures classified by the usual main categories: Ordinary Expenditures, Capital Expenditures, Special Expenditures (including relief and war), Operating Deficits of and Non-active Advances to Government Owned Enterprises, and Other Charges. All disbursements under these categories are included as expenditure in arriving at the over-all deficit or increase in net debt.

ORDINARY EXPENDITURES

13. Ordinary expenditures, which include interest on the public debt and the general administrative expenses of the Government totalled \$397,996,000, a decrease of \$15,036,000 from the previous fiscal year.

The largest decrease in ordinary expenditures is in the Department of National Defence where by reason of the war a change in policy was instituted as from September 1, 1939 which involved the charging of certain expenditures of this department to War Expenditures. These are included in the totals shown under section 15. Certain Defence Expenditures, totalling \$3,770,000, originally set up as Capital have been charged to Ordinary Account pursuant to Item 205 of the Main Estimates, 1940-41. Ordinary expenditures of the Public Works Department decreased approximately \$2,400,000 and special grants to provinces were reduced by \$2,000,000.

There were no very large increases in the ordinary expenditures of any particular department. Expenditures of the Department of Agriculture increased by \$2,290,000. Interest on public debt was up by \$1,319,000. The Dominion's share of Old Age Pensions, including pensions to blind persons was \$933,000 higher than last fiscal year. Payments in connection with the movement of coal under the Department of Mines and Resources increased by \$2,611,000. The only other increase of any considerable amount was for the treatment and after-care of returned soldiers which increased by \$1,325,000.

CAPITAL EXPENDITURES

14. Total expenditures charged to capital amounted to \$7,029,000 compared with \$5,424,000 in the previous year. The main items in this category are expenditures arising out of dredging the St. Lawrence Ship Channel and the construction and improvements of airways and airports.

SPECIAL EXPENDITURES

War Expenditures—

15. Expenditures arising out of the War are treated as special expenditures. The amount actually expended and charged to the fiscal year 1939-40 was \$118,340,000 divided by departments and services as follows:—

Agriculture—

Purchase of Apples.....	\$ 1,302,000	
Purchase of Fibre Flax Seed.....	1,000	
Program to encourage production of essential agricultural war supplies.....	39,000	
Sundry.....	35,000	
	<hr/>	\$ 1,377,000

Auditor General's Office—

Audit of War Expenditure.....	8,000
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Civil Service Commission—

Additional War Expenses.....	6,000
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External Affairs—

Establishment of new offices abroad.....	47,000	
Sundry.....	29,000	
	<hr/>	76,000

*Finance—**Comptroller of the Treasury—*

Dependents' Allowance Office and Outside Establishments.....	358,000	
War Supply Board Administration.....	215,000	
	<hr/>	573,000

Justice—

Prize Court.....	1,000	
Defence of Canada regulations.....	13,000	
	<hr/>	14,000

Labour—

Wartime Prices and Trade Board.....	55,000
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Mines and Resources—

Repatriation of distressed Canadians abroad.....	18,000
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National Defence—

Administration.....	504,000	
Military Services.....	67,323,000	
Censoring.....	99,000	
Internment.....	274,000	
Naval Services.....	11,351,000	
Air Services.....	28,554,000	
British Commonwealth Air Training Plan...	4,257,000	
	<hr/>	112,362,000

National Harbours Board—

St. John—Dredging—Courtenay Bay.....	70,000
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National Research Council—

Scientific and Technical Work.....	121,000
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National Revenue—

Censorship of Publications.....	2,000
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War Expenditures—Concluded

Pensions and National Health—

Hospitalization Expenses—

C.A.S.F.....	778,000
R.C.M.P.....	49,000
Air Raid Precautions.....	56,000
Sundry.....	17,000

900,000

Post Office—

Censorship Co-ordination Committee

(Postal Censorship).....

70,000

Privy Council—

Censorship Co-ordination Committee..... 5,000

Sub-Committee of the Cabinet on Public
Information..... 25,000

30,000

Public Works—

New Office building in Ottawa..... 137,000

Furniture, etc., for new employees..... 263,000

Alterations to buildings..... 203,000

Rental of new premises..... 87,000

Construction, repairs and improvements to
drydocks and dockyards..... 68,000

Halifax barracks and torpedo building..... 60,000

Sundries..... 11,000

829,000

Royal Canadian Mounted Police—

Increase in strength..... 1,400,000

Secretary of State—

Censorship Co-Ordination Committee (Press
Censorship Division)..... 30,000

Internment Operations..... 15,000

Public Information Office..... 22,000

Sundries..... 8,000

75,000

Trade and Commerce—

Expenses *re* Canadian Shipping Board..... 4,000

Transport—

Airport and airway facilities and aerodrome
sites..... 138,000

Meteorological services—wartime..... 25,000

Radio services—wartime..... 71,000

Canals services—canals protection and special
pilotage..... 18,000Marine services—increased services of Marine
Service Fleet, and replacing of buoys..... 75,000

Sundries..... 23,000

350,000

TOTAL.....

\$118,340,000

Relief Expenditures—

16. Special expenditures for the alleviation of unemployment conditions and of agricultural distress amounted in 1939-40 to \$62,113,000 compared with \$46,896,000 in the previous year. Payments to provinces under the Material Aid and Municipal Improvements Projects agreements amounted to \$19,534,000 compared with Grants-in-aid to provinces the previous year of \$17,037,000. The Dominion's share of joint Dominion-Provincial projects, including transportation facilities into mining areas and the development of tourist highways, increased from \$7,472,000 to \$8,268,000. The total cost of public works and other projects including administration for which the Dominion assumed sole responsibility amounted to \$25,206,000 as compared with \$13,241,000 during the preceding year.

Special drought area relief in the Province of Saskatchewan was confined to the earlier months of the fiscal year, and consequently expenditures under this heading declined from \$9,146,000 in 1938-39 to \$1,605,000 in 1939-40. However, as an offset to this reduction, there was an expenditure during 1939-40 of \$7,500,000 under the Prairie Farm Assistance Act, 1939, representing the net cost to the Dominion in connection with the acreage bonuses paid to farmers under the Act.

The following table compares relief expenditures during each of the last two fiscal years:

	1938-39	1939-40
Material Aid to Provinces.....	\$ 17,037,000	\$ 18,291,000
Dominion's share, Municipal Improvements projects.....		1,243,000
Dominion's share of joint Dominion-Provincial projects.....	7,472,000	8,268,000
Dominion Projects—		
Department of Agriculture.....	3,338,000	3,620,000
" Fisheries.....	533,000	232,000
" Mines & Resources.....	1,672,000	2,752,000
" National Defence.....	369,000	137,000
" Public Works.....	5,780,000	13,338,000
" Transport.....	1,076,000	4,296,000
Sundry Departments.....	473,000	831,000
Western Drought Area Relief—		
Direct Relief and Agricultural Relief.....	8,869,000	1,605,000
Foodstuffs.....	277,000	.....
Prairie Farm Assistance Act Net Payments.....		7,500,000
	<u>\$ 46,896,000</u>	<u>\$ 62,113,000</u>

17. The following table shows the Dominion's relief expenditures of a direct nature since the passing of the first Relief Act in 1930:

(000 omitted)

	Direct Relief including Grants-in-Aid	Joint Dominion-Provincial Works and Projects	Dominion Works and Projects	Western Drought Area Relief	Write-off of Provincial Loans	Miscellaneous Relief Expenditures	Total
	\$	\$	\$	\$	\$	\$	\$
Period Sept. 22/30 to Mar. 31, 1935.....	77,767	49,643	29,977	(1) 15,088	.....	3,532	176,007
Year ended Mar. 31/36.....	26,570	13,408	38,132	(2) 4,000	.....	306	79,416
Year ended Mar. 31/37.....	28,981	12,472	27,585	8,751	(3) 18,487	265	96,491
Year ended Mar. 31/38.....	19,530	10,165	13,847	24,556	.....	407	68,535
Year ended Mar. 31/39.....	17,070	7,472	12,919	9,146	.....	288	46,895
Year ended Mar. 31/40 (estimated).....	19,534	8,268	24,919	(4) 9,105	(5) 1,374	287	63,487
Total.....	189,402	98,428	147,379	70,676	19,861	5,085	530,831

(1) Includes \$5,000,000 Province of Saskatchewan Treasury Bills written off and charged to expenditure.

(2) Represents Province of Saskatchewan Treasury Bills written off and charged to expenditure.

(3) Written down to non-active assets as of March 31, 1937, and written off during 1939-40.

(4) Includes net cost to the Dominion under the Prairie Farm Assistance Act 1939, \$7,500,000.

(5) Write off of Saskatchewan Treasury Bills re 1934-35 Drought Area Relief.

In the above table no account is taken of loans to Western Provinces under Relief Acts, loans to cover labour cost of special railway works programs and losses borne by the Dominion as a result of wheat marketing operations.

18. The last item in this classification covers losses arising from the Dominion's guarantee of a price of 80 cents per bushel, basis No. 1 Northern, Fort William, for the Western Wheat Crop of 1938. At the close of the fiscal year under review there remained unsold a small quantity of wheat of the 1938 crop and accordingly the losses of the Canadian Wheat Board in respect of the marketing of that crop were not finally determined. It was clear, however, that these losses would amount to at least \$52,000,000. An advance of this amount without interest was made on account to the Board to enable it to pay off guaranteed bank advances. During 1938-39 a reserve of \$25,000,000 had been set up as a reserve in the accounts in respect of possible losses in marketing this wheat and the difference between the total advance of \$52,000,000 and this reserve, namely, \$27,000,000 has been charged to the Dominion's accounts in 1939-40.

GOVERNMENT OWNED ENTERPRISES

19. The next major classification of expenditures comprises the losses of, and non-active advances to, Government owned enterprises which are operated as separate corporations.

Canadian National Railways

20. The operating revenues of the Canadian National Railways for the calendar year 1939 amounted to \$203,820,000, an increase of \$21,578,000 or 11.8% from the preceding year. All classifications of revenue tonnage, except forest products, showed substantial increases over 1938.

Operating expenses of the Railways totalled \$182,966,000 an increase of \$6,790,000 or 3.8% over 1938. Most of this increase was in maintenance and transportation expenses necessitated by the increase in traffic.

The net revenue available for interest on the railway's debt was \$10,635,000 compared with a deficit before interest charges of \$3,549,000 in 1938. After payment of interest charges of \$49,814,000 due to the public and interest

charges of \$916,000 due to the Government in respect of temporary loans for capital purposes, there was a net cash deficit of \$40,096,000 compared with \$54,314,000 in the previous year, a decrease of \$14,218,000.

The operating deficit of the Prince Edward Island Car Ferry and Terminals during 1939 was \$427,000 as compared with \$388,000 in 1938.

National Harbours Board

21. The operations of the harbours and facilities under the administration of the National Harbours Board in 1939 recorded a small gain over 1938. Operating income for the calendar year after payment of interest to the public but before depreciation and interest on Government advances, totalled \$3,723,000 compared with \$3,640,000 in the previous year.

Financial assistance provided by the Government to the National Harbours Board and charged to Dominion expenditure in the fiscal year ended March 31, 1940, amounted to \$1,121,000. This amount was made up as follows: \$94,000 for the operating deficits of the harbours at Quebec and Churchill; \$377,000 for non-active advances for the deficit of the Jacques Cartier Bridge at Montreal; \$7,000 for retirement of debentures of the Saint John Harbour Commission and \$643,000 for capital expenditures at Halifax, Saint John, Quebec, Chicoutimi and Three Rivers.

The elevators at Port Colborne and Prescott operated at a profit during 1939 and the Government received \$325,000 from these sources which was credited to Casual Revenue.

Canadian National Steamships

22. Total earnings, especially passenger revenue, of the Canadian National (West Indies) Steamships Limited were seriously affected after the outbreak of war. The 1939 operations of the Company resulted in a surplus of \$154,000 after payment of interest on bonds held by the public but before depreciation and interest on advances from the Government. The comparable figure for 1938 was \$276,000. The 1939 operating surplus was paid to the Government in partial payment of interest. An advance of \$8,000 was made to the Company for capital improvements of vessels under its control.

Trans-Canada Air Lines

23. The operations of the Trans-Canada Air Lines expanded greatly during the calendar year 1939. Operating revenue increased from \$591,000 to \$2,350,000. The annual deficit after payment of interest on capital and depreciation decreased from \$818,000 in 1938 to \$412,000 in 1939.

Central Mortgage Bank

24. The operations of the Central Mortgage Bank for the period July 14 to December 31, 1939, resulted in an operating deficit of \$16,000 which was paid by the Dominion Government. Further information as to this Bank will be found under Loans and Investments.

Summary

25. The total amount charged to Government expenditures resulting from operating deficits and non-active advances to all government owned enterprises totalled \$42,080,000 as compared with \$58,943,000 in the fiscal year ended March 31, 1939. The decrease of \$16,863,000 was mainly due to the reduction of the deficit of the Canadian National Railways. Loans and Advances to Government Owned Enterprises which are treated in the Public Accounts as Active Assets are referred to in a later section.

OTHER CHARGES

26. Other Charges, the final main category of expenditures, amounted to \$25,958,000. The principal item included in this total was the write-off of Saskatchewan treasury bills from non-active assets to Consolidated Fund amounting to \$17,682,000. Other items similarly dealt with were reduction of Canadian National Railways Securities Trust Stock of \$2,600,000 representing line abandonments during the calendar year 1939 and the yearly established losses in seed grain and relief accounts of the Department of Mines and Resources amounting to \$10,000. The total of these three items, namely, \$20,292,000, is offset by a similar amount of Other Credits already referred to under Revenues.

The annual write-off of Soldier and General Land Settlement Loans amounted to \$1,643,000. Capital Stock of the Canadian Farm Loan Board in the amount of \$11,000 was cancelled. An amount of \$1,374,000 of Saskatchewan Treasury Bills was written-off as a final adjustment with respect to drought area relief assumed by the Dominion for the period September 1, 1934, to August 31, 1935.

Pursuant to the Saskatchewan Seed Grain Loans Guarantee Act, 1936, the Dominion was required to fulfil its guarantee with respect to bank loans to municipalities to the extent of \$2,638,000.

SUMMARY OF EXPENDITURES

27. The grand total of the preceding expenditures, i.e., Ordinary, Capital, Special including War, Government Owned Enterprises, and Other Charges, is \$680,516,000 for the fiscal year 1939-40.

28. The following table shows the percentage distribution of revenues and expenditures for a number of important items of revenue and expenditure. Receipts from various taxes and other revenue sources are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. This table should only be used for the purpose of drawing broad conclusions as to the relative burdens imposed on the treasury by the several important services or obligations of Government.

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1939-40

(000 omitted)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expend- iture
	\$	%	%
Ordinary Revenue—			
Income Tax.....	134,449	23.92	19.76
Customs Import Duties.....	104,301	18.56	15.33
Excise Duties.....	61,032	10.86	8.97
Sales Tax.....	137,446	24.45	20.20
Manufacturers', importation, stamp taxes, etc.....	28,582	5.09	4.20
Other tax revenues.....	1,875	0.33	0.27
Total Revenue from Taxes.....	467,685	83.21	68.73
Non-tax Revenues.....	73,933	13.15	10.86
Total Ordinary Revenue.....	541,618	96.36	79.59
Special Receipts and Credits.....	164	0.03	0.02
Other Receipts and Credits—			
Refunds of capital expenditures and credits on non-active accounts.....	20,313	3.61	2.99
Grand Total Revenues.....	562,095	100.00	82.60

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES,
1939-40—Concluded

(000 omitted)

Expenditures	Amount (estimated)	Percentage of total Expend- iture	Percentage to total Revenue
	\$	%	%
Ordinary Expenditure—			
Interest on public debt.....	129,315	19.00	23.01
Cost of loan flotations and amortization charges.....	4,992	0.73	0.89
Public Debt Charges.....	134,307	19.73	23.90
Subsidies and special grants to Provinces.....	19,244	2.83	3.42
Old Age Pensions.....	29,977	4.40	5.33
Civil pensions and superannuation.....	574	0.08	0.10
Pensions and after-care of soldiers—			
Pensions, war and military.....	42,217	6.20	7.51
Treatment and after-care of returned soldiers.....	14,778	2.17	2.63
Total.....	56,995	8.37	10.14
Agriculture.....	11,817	1.74	2.10
Fisheries.....	2,320	0.34	0.41
Legislation.....	2,320	0.34	0.41
Mines and Resources.....	16,477	2.42	2.93
National Defence.....	13,192	1.94	2.35
Post Office.....	36,727	5.40	6.54
Public Works.....	13,066	1.92	2.33
Transport.....	15,424	2.27	2.75
All other.....	45,556	6.70	8.10
Total Ordinary Expenditure.....	397,996	58.48	70.81
Capital Expenditure—			
Railways.....	23	—	—
Public Works.....	7,006	1.03	1.25
Total Capital Expenditure.....	7,029	1.03	1.25
Special Expenditure—			
Reserve for losses on wheat.....	27,000	3.97	4.80
Material aid to Provinces, including improvements projects.....	19,534	2.87	3.48
Dominion projects.....	24,919	3.66	4.43
Western Drought Area Relief.....	9,105	1.34	1.62
Miscellaneous relief.....	8,555	1.26	1.52
War expenditure.....	118,340	17.39	21.06
Total Special Expenditure.....	207,453	30.49	36.91
Government Owned Enterprises—			
Losses charged to Consolidated Fund—			
Canadian National Railways.....	40,523	5.95	7.21
National Harbours Board, Trans-Canada Air Lines and Central Mortgage Bank.....	522	0.08	0.09
Loans and Advances Non-Active—			
Canadian National Steamships and National Harbours Board.....	1,035	0.15	0.18
Total Government Owned Enterprises.....	42,080	6.18	7.48
Other Charges—			
Write-down of assets.....	23,320	3.43	4.15
Fulfilment of guarantees—Saskatchewan Seed Grain Loans (Guarantee Act, 1936).....	2,638	0.39	0.47
Total Other Charges.....	25,958	3.82	4.62
Grand Total Expenditures.....	680,516	100.00	121.07

OVER-ALL DEFICIT

29. Total revenues for 1939-40 amounted to \$562,095,000, and total expenditures to \$680,516,000, resulting in an over-all deficit of \$118,421,000. In the preceding fiscal year, the comparable deficit was \$50,892,000.

LOANS AND INVESTMENTS

Active Assets

30. In addition to the expenditures for the year, as already outlined, the Dominion has made disbursements for the acquisition of investments which are considered as active assets in the Public Accounts. These active assets are deducted from the total direct debt in arriving at the figure of net debt. During the fiscal year 1939-40, the net increase in active loans and investments was \$46,017,000 as compared with \$27,557,000 in 1938-39.

LOANS TO PROVINCES

31. Under authority of the annual Relief Acts, 1931 to 1935, inclusive, the Dominion had power to grant financial assistance to a provincial government by way of loan, advance or guarantee without limitation as to purpose or amount. Up to the close of the fiscal year 1935-36, loans had been granted to the four Western Provinces for purposes other than relief including the retirement of maturing provincial obligations, and, to a limited extent, ordinary provincial government expenditures. Since April 1, 1936, the Dominion's lending power has been limited to the making of loans only where necessary to enable a province to pay its share of expenditures pursuant to agreements with the Dominion entered into under authority of the relative Relief Act.

32. The total amount of loans advanced during the fiscal year 1939-40 was \$12,191,966, divided as follows:—

Manitoba.....	\$ 2,012,000
Saskatchewan.....	8,633,414
British Columbia.....	1,546,552

In addition the Dominion accepted Saskatchewan Treasury Bills to the net amount of \$1,614,335 in respect of certain interest accruals on previous relief loans which the Province was unable to pay in cash.

33. During the year repayments of loans were made to the amount of \$1,240,273 as follows:

Manitoba.....	\$ 129,507
Saskatchewan.....	1,057,068
Alberta.....	53,698

34. The following tables show the net loans made to each province during each fiscal year and a classification of such loans on the basis of the general purposes for which the loans were given:—

NET LOANS TO PROVINCES UNDER RELIEF ACTS BY FISCAL YEARS

	Manitoba	Saskat- chewan	Alberta	British Columbia	Total
	\$	\$	\$	\$	\$
1931-32	2,788,812	10,934,341	4,097,740	4,813,124	22,634,017
1932-33	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933-34	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934-35	2,874,631	10,141,014	1,926,476	7,966,714	22,908,835
1935-36	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936-37	4,626,000	6,053,879	805,198	3,972,400	15,462,477
1937-38	2,959,188	11,604,787	193,000	1,541,636	16,298,611
1938-39	1,405,499	13,708,847	—	—129,506	14,984,840
1939-40	1,882,493	9,190,681	-53,698	1,546,552	12,566,028
	26,378,036	88,931,823	26,025,500	34,503,762	175,839,121
Less Write-off as provided by votes 392 and 393 of further supplementary estimates, 1936-37.	804,897	17,682,158	—	—	18,487,055
Less Write-off Sask. Treas. Bills re 1934-35 Drought Area relief assumed by Dominion. (Principal \$1-250,000; Accrued int. previous yrs. \$123,979.81).....	—	1,373,980	—	—	1,373,980
	25,573,139	69,875,685	26,025,500	34,503,762	155,978,086

NET LOANS TO PROVINCES UNDER RELIEF ACTS CLASSIFIED AS TO PURPOSE

	Loans Specifically to meet Maturing Obligations and Interest	Loans Specifically for Agricul- tural Relief, Including Purchase of Seed Grain	Loans for Provincial Purposes Generally In- cluding Direct Relief and Public Works	Total
	\$	\$	\$	\$
Manitoba.....	1,139,455	234,819	25,003,762	26,378,036
Saskatchewan.....	3,934,341	15,509,871	69,487,611	88,931,823
Alberta.....	8,577,000	3,149,050	14,299,450	26,025,500
British Columbia.....	9,818,845	—	24,684,917	34,503,762
	23,469,641	18,893,740	133,475,740	175,839,121
Less write-offs as shown in the preceding table; Manitoba \$804,897; Saskatchewan \$19,056,138				19,861,035
				155,978,086

CANADIAN NATIONAL RAILWAYS

35. In addition to paying the net income deficit of the Canadian National Railways, the Dominion made advances to the Railway for capital purposes amounting to \$22,979,000, classified as follows:

Under Canadian National Railways Financing and Guarantee Act, 1939 (capital expenditures and retirement of miscellaneous obligations).....	\$12,443,000
Under Canadian National Railways Refunding Act, 1938.....	9,761,000
Construction of Senneterre-Rouyn Branch Line.....	325,000
Purchase of Trans-Canada Air Lines Capital Stock.....	450,000
	<u>\$22,979,000</u>

A loan of \$1,500,000 made in the fiscal year 1938-39 in anticipation of the passing of the 1939 budget of the Railway Company was repaid in the fiscal year ended March 31, 1940.

The Dominion purchased under authority of the War Measures Act and the War Appropriation Act approximately \$15,000,000 of railway equipment for the Canadian National Railways. As of the close of the fiscal year, equipment to the amount of \$6,189,000 had been paid for and delivered. This equipment is being leased to the Railway Company under a hire-purchase agreement extending over a period of fifteen years.

The Railway Company paid the second instalment of \$517,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the Government in 1935-36 and 1936-37 at a cost of \$6,723,000 and leased to the Railway.

OTHER LOANS AND INVESTMENTS

36. During the fiscal year the Government purchased a further \$188,000 of the capital stock of the Canadian Farm Loan Board and an additional \$2,100,000 of the Board's $3\frac{1}{2}\%$ bonds. Capital stock in the amount of \$11,000 was cancelled and written off. As at March 31, 1940, the total investment in the Canadian Farm Loan Board was \$36,695,000.

37. In the fiscal year under review, 4,936 loans were approved under the National Housing Act in the amount of \$21,924,000, bringing the total to March 31, 1940, to \$52,553,000. During the year, the Dominion's share of loans actually paid out, less repayments by borrowers, was \$4,393,000. The net amount of loans outstanding at the close of the fiscal year made under the authority of the National Housing Act and the Dominion Housing Act was \$9,805,000. Loans under the National Housing Act are made jointly by the Government and approved lending institutions and are secured by first mortgage or hypothec, running jointly to the Government and an approved lending institution. Loans are normally made not in excess of 80% of the cost or appraised value of the completed property, whichever is the lesser. However, in the case of owner-occupied houses where the lending value does not exceed \$2,500, a loan may be made up to 90% of the said lending value. Since January 1, 1940, new applications for loans are received only in respect of the construction of houses containing one self-contained dwelling place and where the loan does not exceed \$4,000.

38. To March 31, 1940, the Government has approved loans to the amount of \$5,272,000 under the Municipal Improvements Assistance Act, 1938, to municipalities to enable them to finance the construction of municipal self-liquidating projects. During the fiscal year under review, the amount actually paid out on such loans, less repayments, was \$3,111,000. These loans bear interest at the rate of 2% per annum and are amortized over a period not longer than the estimated useful life of the project. The province in which the municipality is located is required to guarantee the payments for interest on and amortization of each loan.

39. There was advanced during the year \$947,000 to the National Harbours Board for capital construction purposes at the ports of Montreal and Vancouver. As a considerable part of the interest accrued on the obligations issued by these two ports has been paid to the Government, these loans are carried as active assets on the books of the Dominion.

40. Loans to the Canadian Pacific Railway Company made in previous years for relief purposes were further reduced by \$211,000. In addition, the Railway Company paid the second instalment of \$441,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the Government in the fiscal years 1935-36 to 1937-38 at a cost of \$5,730,000 and leased to the railway. Under the authority of the War Measures Act and the War

Appropriation Act, the Dominion purchased approximately \$10,000,000 of railway equipment for the Canadian Pacific Railway Company. As at March 31, 1940, equipment to the amount of \$2,904,000 had been paid for and delivered. This equipment is being leased to the Railway Company under a hire-purchase agreement extending over a period of fifteen years.

41. The Government purchased capital stock of the Central Mortgage Bank to the amount of \$250,000. On November 13, 1939, it was announced that the Government had decided that the Central Mortgage Bank should not commence active operations for the time being. The existing state of war and the uncertainties regarding the effect which war might have on incomes and real estate values, made conditions so abnormal that the Government did not feel it would be practicable to make, with any degree of assurance, valuations that would provide an equitable and permanent basis for sound debtor-creditor relationships. There was the further consideration that the adjustments contemplated by the Act involved the use of the national credit on a substantial scale, and this also seemed undesirable in view of the very heavy present and prospective demands upon the national resources for war purposes.

42. There was advanced to the Canadian Broadcasting Corporation the sum of \$750,000 for capital construction, mainly for two transmitting stations located in the maritime and prairie provinces. The corporation repaid \$50,000 on account of a loan made in the fiscal year 1937-38.

43. During the fiscal year under review, the provinces of Manitoba, Nova Scotia and Prince Edward Island reduced by \$699,000 loans granted by the Dominion in the post-war period for house construction. Loans for Soldier and General Land Settlement were reduced by payments of \$1,116,000.

44. Investments in Sinking Funds amounted to \$4,189,000. Stocks of other loans amounting to \$6,987,000, held in the Sinking Fund of the 3½% 1930-50 Loan which was called for payment on April 17, 1940, were transferred to a bond holding account to be repurchased later for the Sinking Fund of other sterling issues. This resulted in Sinking Funds Account showing a net decrease for the year of \$2,798,000.

45. The following statement shows the net changes in active investments during the last fiscal year together with comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Sinking Funds.....	3,636	3,646	3,843	4,336	Cr. 2,798
Canadian National Railways.....	3,689	4,573	Cr. 27,429	3,841	21,479
Canadian Pacific Railway.....	1,270	555	Cr. 211	Cr. 211	Cr. 211
Canadian Farm Loan Board.....	7,933	10,991	3,848	2,834	2,288
Dominion and National Housing Acts— Loans.....	82	995	1,678	2,657	4,393
Municipal Improvements Assistance Act, 1938—Loans.....	—	—	—	815	3,111
National Harbours Board.....	1,438	323	1,890	692	947
Provincial Harbours of Regeneration.....	42,304	15,462	16,299	14,985	12,566
Provincial Post War Housing Loans.....	Cr. 3,003	Cr. 2,038	Cr. 1,422	Cr. 105	Cr. 699
Railway Equipment purchased.....	7,241	5,120	89	Cr. 1,399	8,135
Soldier and general land settlement.....	Cr. 566	Cr. 489	505	Cr. 749	Cr. 1,116
Roumanian Government.....	—	—	359	—	—
Bank of Canada—Capital Stock.....	—	5,100	—	820	—
Central Mortgage Bank—Capital Stock.....	—	—	—	—	250
Canadian Broadcasting Corporation.....	—	—	500	Cr. 50	700
Canadian National (West Indies) Steam- ships.....	—	—	450	—	—
Net Advances.....	64,027	44,238	399	28,466	49,045

LOANS AND INVESTMENTS, ACTIVE—*Concluded*
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Less write-offs—					
Soldier and general land settlement loans.....	-488	-628	-750	-895	-1,643
Canadian Farm Loan Board—Capital Stock.....	—	-20	-10	-14	-11
Loans to Province of Saskatchewan— Drought Area Relief, 1934-35.....	—	—	—	—	-1,374
Write-down to non-active assets—					
Manitoba and Saskatchewan treasury bills.....	—	-18,487	—	—	—
Net change in active investments.....	63,539	25,103	Cr. 361	27,557	46,017

LOAN FLOTATIONS

46. In the fiscal year ended March 31, 1940, the Government issued obligations in the amount of \$657,793,471. All these issues were floated in the Canadian market. Maturing obligations in the amount of \$362,935,587 were redeemed out of the proceeds of the new issues, the remainder of the proceeds providing cash for the current purposes of Government.

47. The following table gives details of the amounts, terms and purposes of the new issues and the prices at which they were sold:

LOAN FLOTATIONS, 1939-40

Issue Date	Maturity Date	Interest Rate	Where Payable	Price		Yield at		Amount Issued	Issue Refunded	
				To Public	To Govern- ment*	Public Price	Price to Govern- ment		Amount	Interest Rate
1939		%		\$	\$	%	%	\$	\$	%
May 15..	May 15, 1942	1½	Canada	99-37½	98-77	1-72	1-92	95,500,000	37,362,000	1
									15,346,000	2
May 15..	June 1, 1938	3	Canada	98-50	97-71	3-10	3-16	39,000,000	1,690,500	2½
July 1..	July 1, 1940	4	Canada (School Lands)	—	100-00	—	4-00	33,293,471	30,101,500	4
Oct. 16..	Oct. 16, 1941	2	Canada	—	100-00	—	2-00	200,000,000	2,638,000	1
									4,654,000	2
									6,242,500	2½
									99,425,979†	3½
									17,168,000	4
1940										
Feb. 1..	Feb. 1, 1948 -52	3½	Canada	100-00	99-216	3-27	3-36	250,000,000	75,013,637	3
Mar. 1..	Mar. 1, 1945	2	Canada	—	99-37½	—	2-13	40,000,000	40,000,000	
								657,793,471	362,935,587	
Total amount issued for refunding purposes.....								362,935,587		
Total amount issued to provide new cash.....								294,857,884		
								657,793,471		

* Price to public, less commissions to dealers.

† Amount outstanding of 1930-50 3½% Registered Stock called for redemption on April 17, 1940, less amount held in sinking fund, converted at \$4.86 = £1.

48. During the fiscal year under review, the issue fortnightly of three months' treasury bills was continued. The last issue of treasury bills during the year ended March 31, 1940, was sold at a discount of .747 per cent. The average cost to the treasury of funds obtained from the twenty-three offerings during the year was a discount basis of .726 per cent. The amount of these

treasury bills outstanding at March 31, 1940, was \$155,000,000 unchanged from the total outstanding at the close of the previous fiscal year.

49. As at March 31, 1940, the average rate of interest on the Dominion's outstanding direct funded debt (including treasury bills) was 3.40 per cent, as compared with 3.52 per cent on March 31, 1939.

NATIONAL DEBT

50. At the close of the fiscal year there was outstanding unmatured funded debt (including treasury bills) of the Dominion in the amount of \$3,695,685,000. Of this total, securities in the amount of \$67,196,000 were held in the sinking funds against certain issues payable in London. The remaining amount, \$3,628,489,000, was outstanding in the hands of the public. Other liabilities, consisting chiefly of annuity, superannuation and insurance funds, Post Office Savings Bank deposits, and trust and contingent funds, were outstanding on the same date in an estimated aggregate amount of \$332,888,000. Without deducting sinking funds now shown as an asset, the gross liabilities of the Dominion totalled \$4,028,573,000. On the other side of its balance sheet, the Dominion had active assets of \$757,593,000 representing cash on hand, sinking funds and active loans and investments. The net debt of the Dominion, the difference between the gross liabilities and the active assets, is therefore estimated at \$3,270,980,000. The increase over the same date last year amounted to \$118,421,000, namely, the amount of the over-all deficit for the fiscal year.

51. The following is a preliminary statement showing the liabilities and assets of the Dominion as estimated at March 31, 1940:—

LIABILITIES—MARCH 31, 1940

(estimated)

Bank Circulation Redemption Fund.....	\$	5,054,000	
Post Office Money Orders, Postal Notes, etc., outstanding.....		2,787,000	
Post Office Savings Bank deposits.....		23,100,000	
Insurance and Superannuation Funds—			
Government Annuities.....	\$	140,042,000	
Insurance Fund—Civil Service.....		13,336,000	
Insurance Fund—Returned Soldiers.....		18,683,000	
Retirement Fund.....		9,827,000	
Superannuation Funds.....		60,887,000	
			242,775,000
Trust Funds—			
Indian Funds.....		14,298,000	
Common School Funds.....		2,677,000	
Contractors' Securities Deposits.....		2,114,000	
Other Trust Funds.....		3,126,000	
			22,215,000
Contingent and Special Funds.....			4,312,000
Province Debt Accounts.....			11,920,000
Funded Debt and Treasury Bills unmatured.....		3,695,685,000	
Floating Debt—			
Funded Debt matured and outstanding.....		2,465,000	
Interest due and outstanding.....		1,981,000	
Outstanding cheques.....		16,279,000	
			3,716,410,000
			<u>\$4,028,573,000</u>

ASSETS—MARCH 31, 1940

(estimated)

Active Assets—			
Cash, working capital advances and other current assets.....	\$	186,742,000	
Special Deposits.....		166,000	
Sinking Funds.....		67,196,000	
Bank of Canada Capital Stock.....		5,920,000	
Central Mortgage Bank Capital Stock.....		250,000	
Canadian Broadcasting Corporation—Loan.....		1,150,000	
Canadian National (West Indies) Steamships, Ltd.—Loan.....		450,000	
Dominion and National Housing Acts—Loans.....		9,805,000	
Municipal Improvements Assistance Act, 1938—Loans.....		3,926,000	
Loans to Provinces—			
Post War Housing Loans.....	\$	2,504,000	
Unemployment Relief Loans.....		155,978,000	
Alberta—Subsidy Overpayment.....		469,000	
			158,951,000

ASSETS—MARCH 31, 1940—*Concluded*

(estimated)

Loans to National Harbours Board—			
Montreal.....	61,698,000		
Vancouver.....	25,032,000		
			86,730,000
New Westminster Harbour Commission—Loan.....			275,000
Canadian Farm Loan Board—Advances and Capital Stock.....			36,695,000
Railway Accounts—			
Canadian National Railways—			
Advances—Financing and Guarantee Act, 1938.....	1,717,000		
Advances—Refunding Act, 1938.....	24,689,000		
Advances—Financing and Guarantee Act, 1939.....	12,443,000		
Senneterre-Rouyn Railway Line.....	639,000		
Trans-Canada Air Lines.....	550,000		
			40,038,000
Canadian Pacific Railway—			
Loan for betterment or repair of railway equipment.....	970,000		
Loan for wages on special works program.....	222,000		
			1,192,000
Purchase of equipment leased to—			
Canadian National Railways.....	11,878,000		
Canadian Pacific Railway.....	7,311,000		
			19,189,000
Loans to Foreign Governments—			
Greece.....	3,525,000		
Roumania.....	24,329,000		
			30,854,000
Soldier and General Land Settlement Loans.....			37,830,000
Seed Grain and Relief Advances.....			2,434,000
Canadian Government Railways Working Capital.....			16,772,000
Bond Holding Account.....			6,657,000
Province Debt Accounts.....			2,296,000
Deferred Debits—			
Unamortized discount and commission on loans.....		42,075,000	
			\$ 757,593,000
Net Debt, March 31, 1940 (estimated).....			\$3,270,980,000
Net Debt represented by—			
A. Expenditure and non-active assets (estimated) March 31, 1940.			
Capital Expenditures—			
Public Works—			
Canals.....	\$ 240,316,000		
Railways.....	429,587,000		
Public Buildings, harbour and river improvements.....	299,029,000		
Military property and stores.....	12,057,000		
Territorial Accounts.....	9,896,000		
			\$ 990,885,000
Loans, non-active—			
Canadian National Railways Securities Trust Stock.....		264,013,000	
Canadian National Railways Stock.....		18,000,000	
Canadian National Steamships.....		13,872,000	
Canadian Pacific Railway (old).....		62,791,000	
National Harbours Board—			
Quebec.....	\$ 27,365,000		
Chicoutimi.....	3,838,000		
Churchill.....	9,000		
Halifax.....	12,291,000		
Saint John.....	16,448,000		
Three Rivers.....	3,743,000		
Montreal (Jacques Cartier Bridge).....	4,049,000		
			67,743,000
Seed Grain and Relief Advances.....			450,000
Soldier and General Land Settlement.....			16,526,000
Saskatchewan Seed Grain Loans Guarantee Act, 1936.....			2,638,000
Miscellaneous Advances.....			3,536,000
B. Consolidated Fund—			
Balance, consolidated fund brought forward from Mar. 31, 1939.....	1,702,494,000		
Excess of expenditure over revenue, fiscal year ended Mar. 31, 1940 (estimated).....		128,032,000	
			1,830,526,000
			\$3,270,980,000

52. The following table gives a statement of the unmatured funded debt (including treasury bills) of the Dominion outstanding as at March 31, 1940 and the annual interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31,
1940, AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate per cent	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1940, June 1.....	1½	Canada	80,000,000	00	1,200,000	00
July 1.....	4	Canada	33,293,470	85	1,331,738	83
Sept. 1.....	4½	Canada	75,000,000	00	3,375,000	00
1941, Mar. 15.....	1	Canada	45,000,000	00	450,000	00
May 1.....	1½	New York	20,000,000	00	250,000	00
Oct. 16.....	2	Canada	200,000,000	00	4,000,000	00
Nov. 15.....	5	Canada	141,663,000	00	7,083,150	00
1942, May 15.....	1½	Canada	95,500,000	00	1,432,500	00
June 1.....	2	Canada	60,000,000	00	1,200,000	00
Oct. 15.....	3	Canada	40,409,000	00	1,212,270	00
1943, June 1.....	2½	Canada	20,000,000	00	500,000	00
Oct. 15.....	5	Canada	147,000,100	00	7,350,005	00
1944, Jan. 15.....	2½	New York	30,000,000	00	675,000	00
June 1.....	2	Canada	90,625,000	00	1,812,500	00
Oct. 15.....	4½	Canada	50,000,000	00	2,250,000	00
Nov. 15.....	2½	Canada	20,000,000	00	500,000	00
1945, Mar. 1.....	2	Canada	40,000,000	00	800,000	00
Aug. 15.....	2½	New York	76,000,000	00	1,900,000	00
Oct. 15.....	4	Canada	88,337,500	00	3,533,500	00
1946, Feb. 1.....	4	Canada	45,000,000	00	2,025,000	00
1947, Oct. 1.....	2½	London	4,888,185	64	122,204	64
1948, Feb. 1.....	3	Canada	50,000,000	00	1,625,000	00
1949, Feb. 1.....	3½	Canada	50,000,000	00	1,625,000	00
June 1.....	3	Canada	33,500,000	00	1,088,750	00
Oct. 15.....	3	Canada	138,322,000	00	4,841,270	00
1950, Feb. 1.....	3	Canada	50,000,000	00	1,625,000	00
July 1.....	3	London	*52,763,135	43	1,846,709	74
1951, Feb. 1.....	3	Canada	50,000,000	00	1,625,000	00
Nov. 15.....	3	Canada	60,000,000	00	1,950,000	00
1952, Feb. 1.....	3½	Canada	50,000,000	00	1,625,000	00
May 1.....	5	New York	100,000,000	00	5,000,000	00
Oct. 15.....	4	Canada	56,191,000	00	2,247,640	00
1955, May 1.....	3½	London	48,666,666	67	1,581,666	67
June 1.....	3	Canada	40,000,000	00	1,200,000	00
1956, Nov. 1.....	4½	Canada	55,000,000	00	1,650,000	00
1957, Nov. 1.....	4½	Canada	43,125,700	00	1,940,656	50
1958, June 1.....	3	Canada	37,523,200	00	1,688,544	00
Sept. 1.....	4	London	88,200,000	00	2,646,000	00
Nov. 1.....	4	Canada	73,000,000	00	2,920,000	00
1959, Nov. 1.....	4½	Canada	276,687,600	00	12,450,942	00
1960, Oct. 1.....	4	Canada	289,693,300	00	13,036,198	50
Oct. 1.....	4	London	93,926,666	66	3,757,066	67
1961, Jan. 15.....	3½	New York	100,000,000	00	4,000,000	00
1962, July 1.....	3½	New York	48,000,000	00	1,560,000	00
1966, June 1.....	3	London	48,666,666	66	1,581,666	67
1967, Jan. 15.....	3	Canada	54,703,000	00	1,777,847	50
1968, Nov. 1.....	3	Canada	55,000,000	00	1,650,000	00
Treasury Bills due April 1, 1940	.788	Canada	25,000,000	00	197,000	00
Treasury Bills due April 15, 1940	.784	Canada	30,000,000	00	235,200	00
Treasury Bills due May 1, 1940	.752	Canada	25,000,000	00	188,000	00
Treasury Bills due May 15, 1940	.746	Canada	25,000,000	00	186,500	00
Treasury Bills due May 31, 1940	.751	Canada	25,000,000	00	187,750	00
Treasury Bills due June 14, 1940	.747	Canada	25,000,000	00	186,750	00
			3,695,685,191	91	125,574,026	72
Payable in Canada.....			2,904,773,870	85	78.60%	
Payable in New York.....			469,000,000	00	12.69%	
Payable in London.....			321,911,321	06	8.71%	
			3,695,685,191	91	100%	

* Called for payment April 17, 1940.

INDIRECT LIABILITIES

53. Bonds and debenture stocks bearing the guarantee of the Dominion outstanding in the hands of the public at March 31, 1940, amounted to \$1,084,479,000, a decrease of \$987,000 during the fiscal year.

54. There were also outstanding on March 31, 1940, other contingent liabilities arising out of guarantees given under Relief and Seed Grain legislation and other Acts. There were no new guarantees incurred during the last fiscal year.

During the fiscal year under review an amount of \$52,000,000 was advanced without interest to the Canadian Wheat Board to enable the Board to pay off guaranteed bank advances with respect to the marketing of the 1938 Wheat Crop. The guaranteed bank loans to the Board outstanding at the close of the fiscal year amounted to \$42,998,000. This amount constituted the Board's gross liability to the banks at the close of the fiscal year and mainly related to the purchase of the 1939 Wheat Crop at the fixed price of 70 cents per bushel No. 1 Northern, Fort William. The guarantee of the Dominion to the Winnipeg Grain and Produce Clearing Association Limited, referred to in previous budgets, is still outstanding. No liability accrues from day to day in connection with the guarantee as margin deposits are made to the Clearing Association daily.

At March 31, 1940, 102,365 Home Improvement Loans had been made by banks and approved lending institutions to home owners in the amount of \$41,110,000. Repayments to the same date on account of these loans amounted to \$24,068,000, or over 58 per cent of the total amount of loans made. The Dominion's contingent liability arising out of these loans is limited to 15 per cent of the aggregate of such loans made by each approved lending institution. As 288 loss claims for \$86,922 have been paid, the maximum contingent liability as at March 31, 1940, was \$6,079,595. In terms of dollar losses to total volume of loans, this loss ratio is only approximately $\frac{1}{5}$ of 1 per cent.

Under the Dominion Housing Act, 1935, and the National Housing Act, 1938, the Dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities.

The manner in which losses in respect of any loan are to be borne by the Dominion and the lending institution is fixed by the contract. The general principle is that the Dominion bears two-thirds of the loss if at the time the loss is sustained the principal amount of the loan repaid, less any other amounts due, is equal to or less than the amount advanced by the Dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the Dominion. In the case of small loans (that is, for amounts not in excess of \$4,000 in the case of a single dwelling place or not in excess of \$700 per habitable room in the case of a multiple family dwelling), the share of the loss to be borne by the Dominion is not more than 80 per cent and not less than 50 per cent of the loss. The above provisions apply to loans made under both the present National Housing Act and its predecessor, the Dominion Housing Act. Under the National Housing Act a new provision has been added to encourage the making of small loans in such small or remote communities and in such districts of other communities as may be designated by the Minister of Finance in any contract. In respect of such loans, the Dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent and do not exceed 25 per cent of the total amount of such loans made in such areas by the lending institution.

Order in Council, dated December 5, 1939, provided that after January 1, 1940, applications would be received only for loans for the construction of houses containing one self-contained dwelling place and where the loan does not exceed \$4,000.

Loans to the number of 15,054 had been approved at March 31, 1940, under the Dominion Housing Act, 1935, and the National Housing Act, 1938, and in the amount of \$52,553,000. No losses had been realized by the Dominion as of that date.

55. The following is a statement of bonds and debenture stocks and other indebtedness guaranteed by the Dominion outstanding as at March 31, 1940:

**BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION
GOVERNMENT AS AT MARCH 31, 1940**

Date of Maturity		Issue	Interest Rate	Amount Outstanding
			%	\$
Jan.	15, 1942	Canadian National	2	20,000,000 00
Feb.	15, 1943	Canadian National	2	55,000,000 00
Feb.	1, 1944	Canadian National	2½	15,500,000 00
May	1, 1944	Canadian National	3	35,000,000 00
Jan.	15, 1946	Canadian National	2½	15,000,000 00
July	1, 1946	Canadian Northern	0½	24,238,000 00
April	1, 1948	New Westminster Harbour Commissioners	4½	700,000 00
Dec.	15, 1950	Canadian National	3	50,500,000 00
Sept.	1, 1951	Canadian National	4½	50,000,000 00
Feb.	1, 1952	Canadian National	3	20,000,000 00
Aug.	1, 1952	Saint John Harbour Commissioners	5	667,953 04
Feb.	15, 1953	Canadian National	3	25,000,000 00
July	10, 1953	Canadian Northern	3	9,359,996 72
Feb.	1, 1954	Canadian National	5	50,000,000 00
Mar.	1, 1955	Canadian National (West Indies) Steamships Limited	5	9,400,000 00
June	15, 1955	Canadian National	4½	50,000,000 00
Feb.	1, 1956	Canadian National	4½	70,000,000 00
July	1, 1957	Canadian National	4½	65,000,000 00
July	20, 1958	Canadian Northern	3½	7,896,541 81
Jan.	15, 1959	Canadian National	3	35,000,000 00
May	4, 1960	Canadian Northern Alberta	3½	3,149,998 66
May	19, 1961	Canadian Northern Ontario	3½	34,229,996 87
Jan.	1, 1962	Grand Trunk Pacific	3	34,992,000 00
Jan.	1, 1962	Grand Trunk Pacific	4	8,440,848 00
July	1, 1969	Canadian National	5	60,000,000 00
Oct.	1, 1969	Canadian National	5	60,000,000 00
Nov.	1, 1969	Harbour Commissioners of Montreal	5	19,000,000 00
Feb.	1, 1970	Canadian National	5	18,000,000 00
By drawings		Canadian National	2	21,401,371 07
Various dates 1940-54		City of Saint John Debentures assumed by Saint John Harbour Commissioners	Various	795,384 78
Perpetual		Grand Trunk Guaranteed Stock	4	60,833,333 33
do		Grand Trunk Debenture Stock	5	20,782,491 67
do		Great Western Debenture Stock	5	13,252,322 67
do		Grand Trunk Debenture Stock	4	119,839,014 33
do		Northern Railway of Canada Debenture Stock	4	1,499,979 67
				\$ 1,084,479,232 62

OTHER LIABILITIES GUARANTEED

	Principal Amount Outstanding Mar. 31, 1940
Bank Advances, re Province of Manitoba Savings Office	\$ 6,491,173
Bank Advances, re Government of Newfoundland	625,000
Province of Manitoba Treasury Bill	4,809,206
Province of British Columbia Treasury Bill	628,534
Bank Advances, re Canadian Wheat Board	42,993,100
Winnipeg Grain and Produce Clearing Association, Ltd. Day to day margins of the Canadian Wheat Board (closed out daily)	—
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1937	6,891,858
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1938	not determined
Loans made by approved lending institutions under Dominion Housing Act, 1935 and National Housing Act, 1938	indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1935	6,079,595
Deposits maintained by the chartered banks in the Bank of Canada	202,324,405

B. REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS, 1939-40

1. The following tables and related paragraphs present a comprehensive survey of general economic conditions in Canada during the past year. For purposes of comparison figures for certain earlier years are also provided, and in the case of the more important factors statistics on a monthly basis are given covering the last two fiscal years.

The figures used throughout are those published by the Dominion Bureau of Statistics, unless otherwise indicated. Where an index or average figure is given for a fiscal, rather than a calendar year, it represents an average of the monthly data during the period concerned. All indexes shown as based on the year 1926 are to be construed as based on the calendar year 1926, and not the fiscal year.

A change this year in the method of compiling trade statistics at the end of the fiscal year has artificially decreased the March trade figures and artificially increased those of April, so that a valid comparison of either month with the same month in any previous year has been made impossible. This change not only affected directly the comparability of the trade statistics but influenced indirectly as well the index of the physical volume of business, many of the components of which utilize imports and exports of certain commodities as indicators of current business activity. To facilitate an accurate comparison of recent trends, therefore, in the following tables the figures for March and April of both the current and the preceding year have been averaged throughout, in the case not only of factors affected by the trade statistics, but, in order to provide comparable data, of other factors as well. In the text this average will be termed the March-April figure.

In the case of averages for the fiscal year ended March 31, 1940, no attempt has been made to adjust the March figures which have been artificially lowered by the change in the trade statistics, so that in all statistics affected by trade figures the average for the last fiscal year is slightly lower than it would have been if calculated on a basis comparable with previous years. This artificial reduction might amount to about one, two or three per cent in the annual figures.

CANADIAN ECONOMIC CONDITIONS SUMMARY TABLES

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Group I.—Comprehensive Indexes (1926=100)									
Physical volume of business.....	101.9	122.1	74.8	115.2	120.8	113.8	126.9	114.9	137.0
Volume of manufacturing.....	101.1	117.5	70.8	117.6	119.8	108.4	125.6	108.5	132.8
Mining.....	103.0	121.1	104.2	166.5	196.0	194.8	217.6	208.1	252.2
Forestry.....	99.7	104.3	64.2	131.8	130.3	106.5	125.6	115.3	135.5
Carloadings.....	102.6	112.5	63.8	77.9	79.9	72.8	80.5	70.5	79.0
Electric power output.....	104.7	136.6	132.4	218.0	229.0	220.9	239.9	229.7	243.0
Employment.....	100.8	113.7	84.4	104.4	115.7	110.8	115.8	111.0	118.3
National income†.....	100.0	114.3	64.4	85.1	97.3	94.1	101.9	.....	.....
Dollar value of retail sales† (1930=100)...	93.2	110.1	66.8	74.0	78.6	77.5	79.8	.....	.....
Group II.—Price Levels and Financial Factors (1926=100)									
Wholesale prices.....	98.8	95.8	65.5	77.2	84.6	76.0	77.8	73.3	83.2
Farm Product Prices.....	99.1	99.1	46.3	75.6	86.3	68.6	65.8	65.3	71.7
Cost of living.....	99.6	98.9	79.9	81.2	83.6	83.9	84.1	83.1	85.6
Common stock prices.....	101.8	173.3	52.1	125.5	117.6	103.8	99.4	99.9	98.0
Dominion Government bond prices.....	100.4	102.4	100.8	117.9	115.2	118.1	115.1	119.2	114.4
Dividend payments.....	101.8	123.7	79.9	112.9	139.0	143.4	129.2	136.1	124.7
Bank deposits.....	101.0	116.1	98.5	116.4	122.1	127.0	137.7	129.9	140.1
Active currency circulation.....	101.0	105.4	75.9	102.3	111.1	113.4	126.7	114.5	137.4

† Nearest calendar year.

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Group III.—Gross Value of Production in Major Industries						
	(Millions of Dollars)					
Agriculture.....	1,714.5	1,806.0	766.8	1,039.5	1,062.6	1,170.9*
Forestry.....	555.8	586.2	349.3	494.3	425.0	484.8*
Fisheries.....	73.1	70.7	33.7	51.2	53.2	55.8*
Mining (inc. Smelting).....	276.8	313.1	265.0	662.6	653.8	685.3*
Construction.....	385.0	488.4	132.9	351.9	353.2	354.9*
Manufacturing.....	3,100.6	3,582.3	1,980.5	3,625.5	3,337.7	3,613.8*
Group IV.—Foreign Trade and International Transactions‡						
Merchandise exports (all gold excluded).....	1,276.6	1,363.6	497.9	1,012.1	848.7	935.9
Net exports of non-monetary gold†.....	30.4	40.1	70.0	145.1	160.5	184.4
Total exports, including non-monetary gold.....	1,307.0	1,403.7	567.9	1,157.2	1,009.2	1,120.3
Merchandise imports (all gold excluded).....	1,008.3	1,222.3	452.6	808.9	677.5	751.0
Total trade.....	2,315.3	2,626.0	1,020.5	1,966.1	1,686.7	1,871.3
Export balance.....	+298.7	+181.4	+115.3	+348.3	+331.7	+369.3
Net tourist receipts.....	102.5	167.7	155.0	166.2	159.9	166.0
Net interest and dividend payments going abroad.....	201.0	221.0	261.8	246.2	251.0	260.8
Net capital export (direct estimate).....	††	82.0	11.4	198.8	135.0	162.1

* Provisional estimates. Certain of these figures have not yet appeared in official publications, or represent revisions of previously published figures.

‡ It should be noted that the export and import figures given in the table above, which have been compiled from official trade returns, differ slightly from the adjusted figures used in making up the Balance of International Payments. In the remaining part of the table certain less important items in the Balance of Payments have not been detailed.

† Adjusted for earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

†† Not available.

PHYSICAL VOLUME OF BUSINESS

2. The index for the physical volume of business in Canada is the most comprehensive single measure of the level of general economic and business activity. It is made up by the Dominion Bureau of Statistics from 46 constituent items weighted according to their relative importance in the economy as a whole, and is adjusted for seasonal fluctuations. Included in the making of this index are such items as mineral production, manufacturing in its chief branches, construction, electric power output, trade employment, carloadings, imports and exports. Agricultural production as such does not find a place in this index, nor do fishing and lumbering as primary activities, but the processing of and trade in the products of these industries is reflected in the index. Correction is made, where necessary, for changes in the price factor in order that the index shall properly record only changes in the *physical* volume of business done. 1926 is taken as the base year. Following are presented the index numbers for each fiscal year since 1927 and the index for each month in the last two fiscal years.

INDEX OF PHYSICAL VOLUME OF BUSINESS

(1926=100)

Fiscal Years ended March 31													
1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
101.9	108.0	122.1	122.0	105.4	89.3	74.8	84.9	96.4	104.4	115.2	120.8	113.8	126.9

MONTHLY INDEX*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	112.4	110.7	108.4	109.1	110.5	119.2	118.6	123.4	115.6	113.0	111.7	114.9
1939-40.....	116.7	121.4	121.4	120.5	125.2	125.8	133.1	133.0	133.3	138.6	131.2	137.0

* Seasonally adjusted.

The recovery from the depressed level of business activity of 1938 which had become evident in the early months of 1939 continued throughout the year and was accelerated by the outbreak of war in September. Each month in the past fiscal year was considerably above the corresponding month in the year previous, and the average for 1939-40 of 126.9 was about 11.5% above that of 1938-39. The March-April figure for 1940 was 19.2% higher than that for 1939, and has only been exceeded in one month in 1929, and in January of this year.

It may be of interest to compare this expansion of 19.2% in the physical volume of business with the expansion in employment in all industries of about 6.6% between March-April, 1939, and March-April, 1940. This suggests that the increased production has been achieved in considerable degree by a reduction in part-time work.

AGRICULTURE

3. The gross value of agricultural production in 1939 increased by about 10% over the previous year and reached the highest level since 1930. In general, it was a year of good crops, but of low prices. The wheat crop of 490 million bushels was the second largest in our history. In quality it was about normal, though relatively highly concentrated in No. 1 Northern grade. The area of poor crops

was very much reduced from preceding years. The average price received by the farmer at the farm for his 1939 wheat, up to December 31, has been estimated at 52c. a bushel compared with a revised figure of 59c. for the 1938 crop.

One of the most outstanding features of Canadian agriculture in the past year has been the great increase in hog production and marketings since the summer of 1939. Hog marketings in the eight months from September to April amounted to 3,213,373 compared with 2,244,765 in the eight months a year before. Indications are that hog production and marketings in 1940 will be the largest recorded in the history of the industry. Hog prices declined during the spring of 1939, and during the summer months were lower than in the previous two years. They rose during the fall months and were fairly well stabilized during the first three months of this year under the operation of the Bacon Agreement with the United Kingdom, but they have weakened in recent months as a surplus of hog products has accumulated, and in April were below the levels of the past three years.

Among the branches of agriculture most affected by the war is that of apple production, since exports of apples to British and foreign markets have been severely curtailed. The apple crop of 1939 was a very large one, exceeded only by 1933 in the last fourteen years, but the average value received per unit fell to a level lower than that for any year of the same period and, consequently, the total value of the crop was much below that of recent years. The Dominion Government provided assistance in the marketing of the apple crop, including special arrangements for processing apples in Nova Scotia which is more dependent than other regions upon the export market.

It will be noted in the table below that the general index of farm prices in March-April of 1940 had increased by about 10% over the level of a year before.

GROSS VALUE OF AGRICULTURAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939*
<i>All Agricultural Production</i>	1,714.5	1,806.0	766.8	1,039.5	1,062.6	1,170.9
Wheat.....	442.2	451.2	154.8	184.7	211.3	252.8
All other field crops.....	662.8	673.8	297.7	371.5	338.8	381.3
Dairy products.....	277.3	297.6	159.1	215.6	226.2	217.7
Live stock.....	178.4	197.9	65.2	141.0	136.8	170.8
Poultry and eggs.....	83.6	106.7	42.1	51.8	53.7	55.5
Fruit and vegetables.....	43.1	48.8	32.2	41.8	57.1	55.9
Tobacco.....	7.4	6.8	6.1	17.1	20.3	19.2
All other agriculture.....	19.7	23.2	9.6	16.0	18.4	17.7

* Subject to revision.

GENERAL INDEX OF FARM PRICES

Monthly Index*

(1926=100)

Calendar Year	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1939-40.....	82.5	77.2	76.6	71.4	64.1	63.8	63.8	64.9	64.6	64.8	64.7	65.3
1939-40.....	65.5	65.2	63.3	62.7	58.4	64.2	64.5	65.1	69.1	70.0	70.3	71.7

* Seasonally adjusted.

MINING

4. The past year has seen production and employment in the mineral industry expand to new record levels. Gold mining continues to be the largest element and the volume of gold produced in the fiscal year 1939-40 showed an increase of about 5·8% over the previous year, while the value of the production has, of course, been increased since September by the higher price received in Canadian dollars. Production of copper, nickel and zinc was larger in each case than in any previous year, but the value of this production was not as great as in 1937 because prices were lower than in that year. Contracts were made between the major Canadian base metal producers and the United Kingdom Ministry of Supply, providing for the sale of the bulk of the Canadian export surplus of copper, lead and zinc at prices approximately equal to those prevailing immediately before the outbreak of war.

Iron ore production commenced again in Canada in 1939 after a lapse of 16 years. Development is also proceeding rapidly to bring into production the high grade iron ore deposit at Steep Rock Lake.

Petroleum production in Alberta continued to expand though subject to pro-rationing because of the limited market available in the Western Provinces. 34 new wells were brought into production in Turner Valley in 1939. Coal production in 1939 was also increased by 8·6% over the previous year, most of the increase occurring in Nova Scotia, and in the first four months of this year production shows an increase of 26½% over the same months of last year.

Employment in mining continued to expand despite a slight set-back during the early winter. The March-April figure this year shows an increase of 4·2% over that of a year ago.

VALUE OF MINERAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939†
<i>Value of All Minerals</i>	240·4	275·0	191·2	457·4	441·8	473·1
Gold.....	36·3	39·1	71·5	143·3	166·2	184·1
Copper.....	17·5	28·6	15·3	68·9	56·6	60·9
Nickel.....	14·4	22·3	7·2	59·5	53·9	50·9
Lead.....	19·2	15·6	5·4	21·1	14·0	12·3
Zinc.....	11·1	10·1	4·1	18·2	11·7	12·1
Silver.....	13·9	12·8	5·8	10·3	9·7	9·4
Coal.....	59·9	63·8	37·1	48·8	44·0	48·3
Petroleum.....	1·3	2·0	3·0	5·4	9·2	10·4
All others.....	66·8	80·7	41·8	81·9	76·5	84·7

† Preliminary.

PHYSICAL VOLUME OF MINERAL PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	212·7	199·4	176·6	192·1	198·6	202·1	201·4	206·6	183·1	176·8	190·9	208·1
1939-40.....	219·6	232·7	228·9	238·5	233·2	223·2	194·2	236·7	202·4	215·6	200·9	252·2

* Seasonally adjusted.

EMPLOYMENT IN MINING

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	156.6	155.0	156.7	156.7	154.4	156.2	156.4	156.5	157.2	159.1	160.7	163.3
1939-40.....	162.9	161.3	164.1	166.4	166.4	166.7	165.7	163.8	164.9	163.4	168.6	170.1

* Seasonally adjusted as at first of month.

FORESTRY

5. The volume and value of forestry production in the past fiscal year, and in the calendar year 1939, have shown substantial increases over the preceding year. This was true for some months before the outbreak of war, as well as after it.

Newsprint production has increased markedly during the war period due to a greater demand in the United States and to the shutting off of Scandinavian supplies from world markets. In the first eight months of war newsprint production was 15.3% above the same period a year before, and for May the industry reports production of 323,563 tons, which is a new high record, and 29.6% above May of last year.

Lumber production has also been stimulated by wartime requirements, though not as yet to the same degree as newsprint production. Lumbering in Eastern Canada has been favoured relatively to that in British Columbia due to the greater availability of Atlantic shipping for export. About 10% more lumber was sealed in British Columbia from September to April than in the same period in the previous year. The index of lumber and timber prices during the war period has averaged about 12% above the year before.

It will be noted in the table below that improved employment in logging reflects the much better market for forestry products in the past year.

FORESTRY PRODUCTS

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of All Forestry Products.....	555.8	586.2	349.3	494.3	425.0	484.8†
Newsprint (in above).....	121.1	144.1	85.5	126.4	107.1	120.0†
Planks and boards exported.....	61.9	47.7	12.6	45.4	35.9	48.8
Wood pulp exported.....	52.1	45.6	18.9	41.8	27.7	31.0

† Preliminary.

PHYSICAL VOLUME OF FORESTRY PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	100.4	91.9	96.7	101.4	102.2	110.2	107.1	112.8	111.7	120.7	111.6	115.3
1939-40.....	120.2	112.6	120.6	114.2	126.4	130.7	139.3	128.7	127.6	142.4	125.4	135.5

* Seasonally adjusted.

LOGGING EMPLOYMENT

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	146.1	135.8	121.9	121.1	90.4	89.5	91.0	105.3	114.8	103.9	98.4	84.4
1939-40.....	81.3	71.0	126.4	134.0	111.5	92.1	133.5	166.2	181.9	164.1	156.4	129.2

* Seasonally adjusted index as at first of month.

FISHERIES

6. The Atlantic deep sea catch in 1939 was about 5% greater than in 1938, but prices were lower due to a slackening in European demand so that the value of the catch was only about 2½% higher. So far in 1940 events in Europe have kept changing the market situation, but during the early months of the year prices have been slightly higher than before the war. The normal export market for canned lobster has now been cut off by war restrictions and the Dominion Government has made provision for assisting in the disposal of the lobster catch. The British Columbia salmon pack in 1939 was somewhat smaller than the year before and of lower quality, but it was all marketed despite the war at somewhat higher prices than in the preceding year. The halibut catch this spring has been larger than last year, and prices received are slightly better.

FISHERIES

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of Production.....	73.1	70.7	33.7	51.2	53.2	55.8†
Salmon marketed (in above).....	19.6	17.9	8.0	12.3	15.0	15.3†
Value of fish exported.....	36.0	36.3	18.5	28.0	25.6	28.0

†Preliminary.

MANUFACTURING

7. Production and employment in manufacturing have shown a substantial and general increase during the past fiscal year, and the average level of the production index for the year as a whole was higher than any year in the past. Activity in manufacturing increased very quickly after the outbreak of war, apparently reached an all-time peak in January and then receded slightly in the next two or three months. Unofficial information indicates that the expansion was resumed in May. The March-April figures for 1940 compared with those for 1939 show an expansion of 22.4% in production and 14.9% in employment in manufacturing as a whole.

Among the various manufacturing industries the most marked expansion has taken place in textiles for which the production index in March-April this year was more than double that of a year before. Many textile factories are now reported to be working at capacity. Steel production shows an expansion during the year of nearly 60%. Much of this increase took place before the outbreak of war but was due in part to British armament demands. The expansion in food manufacturing reflects in part the increased exports of flour and bacon and also the increased domestic consumption of foodstuffs such as that of sugar.

Production in the automobile industry showed little change for the last fiscal year as a whole compared with the preceding one, and the figures for March-April are only about 5% above those a year before. Restrictions imposed in export markets have offset the increased domestic sales of cars and the military demand for motor transports. Since the middle of March the Canadian automobile industry has received a number of substantial orders for military vehicles, however, and production in May reached a figure which was some 35% above May of last year and represented the largest volume in any month since June, 1937.

INDEXES OF PHYSICAL VOLUME OF MANUFACTURING*

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
MANUFACTURING OF ALL KINDS.....	101.1	117.5	70.8	117.6	119.8	108.4	125.6	108.5	132.8
<i>Selected Industries—</i>									
Foodstuffs.....	100.0	97.1	83.4	105.8	101.8	102.2	117.0	105.7	128.0
Tobacco.....	102.3	138.2	107.1	153.9	178.3	178.1	189.1	176.9	205.1
Boots and shoes.....	101.5	97.7	84.0	108.4	114.2	110.3	135.8	108.6	119.7
Textiles.....	101.6	103.4	71.9	123.3	128.4	108.9	152.7	104.9	226.3
Steel production.....	104.5	169.0	40.4	150.8	178.2	139.1	206.7	134.2	213.4
Automobile production.....	100.7	145.2	26.9	98.8	93.1	77.2	79.1	70.2	73.6
Crude petroleum (imports).....	104.7	146.6	138.4	208.1	221.3	207.3	217.3	183.4	186.0

*Seasonally adjusted.

PHYSICAL VOLUME OF MANUFACTURING PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	Apr.1	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	103.2	104.7	103.5	101.3	100.9	114.2	113.2	125.3	111.3	111.1	105.0	108.5
1939-40	109.5	113.3	112.9	112.3	116.5	121.3	143.7	136.9	136.9	146.8	134.2	132.8

* Seasonally adjusted.

EMPLOYMENT IN MANUFACTURING

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	111.7	109.7	110.2	109.5	107.5	110.6	109.0	109.9	111.3	111.3	110.0	108.6
1939-40.....	108.0	107.5	109.4	109.1	110.3	112.1	116.0	121.0	123.6	126.1	125.0	124.8

* Seasonally adjusted as at first of month.

CONSTRUCTION

8. Total construction during the fiscal year 1939-40, as indicated by contracts awarded, showed a small increase over the preceding year. This increase appeared both in residential and in other construction. In the period May to August preceding the war there was evidence of a recovery in private construction, both residential and business, and total contracts in this period had recovered half the ground lost in the recession from 1937 to 1938. After

the outbreak of war there was a falling off in contracts other than residential, and some decline in residential contracts. Contracts for business and industrial construction began to increase about the end of the year and by March all major types of construction were showing substantial increases over the previous year. Total figures for the three months ending May 31 have not been exceeded since 1931, and this is true as well for all the major categories of construction except engineering work where in 1937 these three months showed a high figure.

During the fiscal year 1939-40 loans approved under the National Housing Act showed a substantial increase and reached a total of nearly \$22,000,000 which was equal to almost a third of the value of all contracts awarded for residential construction during that year. Early in December it was announced that, in order to conserve the financial resources of the Dominion, loans under Part I of the Act would be restricted to a maximum of \$4,000, and to single family houses, for applications received after December 31, 1939, and that the assistance by way of tax payment benefits under Part III of the Act would be restricted to buildings commenced before May 31, 1940. One effect of this announcement was to produce a rush of applications in December, and this shows up in the high figures for loans approved in January and February notable in the table below. Loans under the Home Improvement Plan have continued to increase and all months in the last fiscal year have shown increases over the corresponding months in the preceding year.

CONTRACTS AWARDED

(Millions of Dollars)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
<i>Total Contracts Awarded</i>	380.8	500.2	104.3	161.9	218.8	188.6	191.9	10.6	18.8
Residential.....	111.0	137.4	26.0	49.6	54.1	63.0	64.5	4.7	4.9
All other.....	269.8	362.8	78.3	112.3	164.7	125.6	127.4	5.9	13.9

MONTHLY INDEX OF CONTRACTS AWARDED*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	65.3	53.2	53.1	53.8	55.7	54.1	55.2	50.4	74.8	45.0	69.1	53.6
1939-40.....	54.3	53.0	64.1	56.2	64.9	52.9	42.6	41.7	64.8	53.0	68.4	87.1

* Seasonally adjusted.

LOANS APPROVED UNDER NATIONAL HOUSING ACT*

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1935-36.....	—	—	—	—	—	—	214	152	159	142	89	48	804
1936-37.....	432	281	608	690	518	424	372	301	450	407	317	506	5,396
1937-38.....	865	821	919	1,049	753	551	742	636	500	456	342	1,190	8,824
1938-39.....	832	1,496	2,097	1,707	1,031	1,241	1,269	1,740	1,241	646	763	1,542	15,605
1939-40.....	1,463	2,426	2,197	2,772	2,184	2,192	1,313	1,615	1,255	2,193	1,421	953	21,924
Grand Total.....													52,553

* Dominion Housing Act prior to August, 1938.

LOANS APPROVED UNDER HOME IMPROVEMENT PLAN

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1936-37.....	—	—	—	—	—	—	—	682	516	303	306	598	2,405
1937-38.....	1,240	1,606	1,592	1,342	1,146	1,206	1,185	916	613	377	367	533	12,123
1938-39.....	956	1,325	1,437	1,233	1,138	1,311	1,224	968	648	403	409	650	11,702
1939-40.....	1,099	1,950	1,902	1,786	1,878	1,653	1,245	1,014	716	487	480	670	14,880
Grand Total.....													41,110

RAILWAYS

9. Movement of the near-record grain crop and the heavy demands placed on transportation facilities with the outbreak of war were responsible for a level of railway operations during the period since mid-year of 1939 which was considerably higher than that of any recent years. This is graphically illustrated by the striking increase in net operating income for the March-April average of 1940 over that of 1939. Carloadings during the first eight months of war show an increase of 14.4% over the similar period a year earlier.

RAILWAYS

	Calendar Years						Mar.-Apr. Av.	
	1926	1928	1932	1937	1938	1939	1939	1940
<i>All Railways</i>								
Operating Revenues (millions of dollars).....	493.6	563.7	293.4	355.1	336.8	366.5*	25.4	30.2*
Net Operating Income (millions of dollars)....	+49.2	+57.9	-62.9	-31.2	-55.0	-34.0*	+0.6	+4.0*
Carloadings (thousands of cars).....	3,267	3,706	2,179	2,635	2,429	2,549	185	207
Railway Payrolls (millions of dollars).....	260.4	287.8	181.1	193.6	195.1	200.0*	14.8	16.1*

* Preliminary.

MONTHLY INDEX OF CARLOADINGS*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	71.4	71.8	68.7	71.5	76.3	81.0	76.0	74.2	73.7	70.7	66.7	70.5
1939-40.....	69.2	81.1	71.3	76.8	82.0	95.6	80.0	84.0	82.6	86.7	83.1	79.0

* Seasonally adjusted.

FOREIGN TRADE

10. Total Canadian trade with the rest of the world, including net exports of non-monetary gold, was just under two billion dollars in the fiscal year ended March 31, 1940. Exports of merchandise increased by 16.8% over the preceding fiscal year, while imports rose by 25.7%. The relatively greater increase in imports resulted in a reduction of about 2% in the net export balance, including net exports of non-monetary gold.

Although our foreign trade was moving upward prior to last August, the war produced an immediate stimulus to both exports and imports, so that trade during the war period showed a substantially greater proportionate increase

than that of the fiscal year. Exports of merchandise in the eight months ended April, 1940, were 23·9% greater than in the same period of the previous year, while imports of merchandise were 48·9% greater. During this period as compared with the same period a year before our merchandise exports to the United States increased by 47·5% and to the United Kingdom by 19·5%, while imports from the same countries increased by 62·6% and 13·2% respectively. Exports to the United States showed their most marked advance during the first four months of the war when American business was expanding rapidly, while exports to the United Kingdom have shown their substantial increase since the beginning of 1940. Imports from the United States, however, have continued at a high level since the beginning of the war.

Commodity exports which showed notable gains in the war period over the same period of the previous year, and the percentages by which they increased, were as follows: Wheat flour 77%, meats, chiefly bacon and ham 66%, wood pulp 56%, wheat 54%, asbestos 46%, planks and boards 35%, cheese 33%, and paper 22%.

FOREIGN TRADE

(Millions of Dollars)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Merchandise Exports (all gold excluded).....	1,260·7	1,376·5	476·9	991·1	991·2	841·6	983·4	60·5	84·1
Net Exports of Non-Monetary Gold†.....	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Total Exports, including Non-Monetary Gold.....	1,295·5	1,413·0	547·6	1,128·4	1,138·9	1,009·1	1,171·4	73·6	101·2
Merchandise Imports (all gold excluded).....	1,030·9	1,265·7	406·4	671·9	799·1	658·2	827·4	50·1	81·3
Total Trade.....	2,326·4	2,678·7	954·0	1,800·3	1,938·0	1,667·3	1,998·8	123·7	182·5
Export Balance.....	+264·6	+147·3	+141·2	+456·5	+339·8	+350·9	+344·0	+23·5	+19·9
<i>Merchandise Trade by Countries (all gold excluded)</i>									
United Kingdom—									
Exports.....	448·0	431·7	185·1	406·8	407·8	326·9	364·0	21·6	38·9
Imports.....	163·9	194·0	86·5	129·5	145·0	115·6	119·5	8·8	12·4
Other Commonwealth Countries—									
Exports.....	94·3	107·0	38·2	88·2	108·7	103·5	106·2	7·4	8·8
Imports.....	50·2	63·4	33·9	68·7	88·2	65·1	85·1	4·0	7·3
United States—									
Exports.....	472·5	508·9	144·7	364·4	343·3	288·5	399·9	23·5	28·6
Imports.....	687·0	868·0	232·5	393·7	487·3	412·5	554·1	33·4	55·6
Other Countries—									
Exports.....	245·9	328·9	109·0	130·8	130·0	122·7	113·3	8·0	7·8
Imports.....	129·8	120·3	53·5	80·0	78·6	65·0	68·7	3·9	6·0
<i>Principal Commodity Exports</i>									
Non-Monetary Gold†.....	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Paper, chiefly Newsprint.....	123·2	148·4	77·2	117·8	129·9	115·0	129·4	8·8	12·2
Wheat and Wheat Flour.....	421·8	493·6	147·5	245·0	139·5	100·3	140·9	3·7	9·0
Copper and its Products.....	14·9	28·0	12·3	40·2	57·3	53·9	53·6	4·6	4·5
Nickel.....	12·9	23·9	7·5	45·9	61·9	49·6	57·9	4·7	5·4
Planks and Boards.....	59·8	47·7	11·1	40·3	43·7	37·1	50·5	2·9	3·8
Meats.....	29·4	19·2	6·7	36·1	41·4	35·3	45·0	2·7	5·6
Wood Pulp.....	49·9	44·9	17·8	33·2	40·0	26·8	35·7	2·2	3·9
Automobiles and Parts.....	36·4	45·4	7·8	22·3	28·3	25·3	23·3	2·0	1·4
Fish.....	34·5	34·9	10·6	25·1	26·3	25·6	27·9	1·7	2·0
Fruits and Vegetables.....	18·7	12·0	11·4	13·6	16·6	20·2	22·5	0·7	1·6
Milk and its Products.....	41·6	35·8	11·7	14·4	17·7	17·6	18·7	0·6	1·0

†Adjusted for earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

EMPLOYMENT AND UNEMPLOYMENT

11. The general index of employment registered a gain of 4.4% during 1939-40 over the previous fiscal year. Although in the early part of 1939 employment was at levels considerably below those of the preceding year, it rose gradually with increased business activity and since June each month has shown a substantial increase over the same month of the year previous. The May 1 figure this year at 118.7 for the general index was about 7.6% higher than the same date in 1939 and was higher than any other May except that of 1929. Greatly increased employment in manufacturing, logging, mining and transportation contributed to this upward movement. The index of employment in construction and maintenance has recently been at levels considerably below those of a year ago owing to curtailment of expenditure on highway construction and maintenance; other branches of construction have shown increases.

The improved employment situation is reflected in the lower number of persons in receipt of relief. In each month since November, 1939, both the numbers of employable unemployed and of all persons on relief have shown a considerable reduction from the same month of the previous year. Preliminary figures for April, 1940, show a decrease of 25.2% from April, 1939, in the total of relief recipients, and a decline of 11% from the same month in the number of employable unemployed. The number of wage-earners unemployed in April, 1940, was estimated by the Bureau of Statistics to be about 367,000, as compared with 473,000 in April, 1939, a decrease of about 22.5%. This 367,000 includes a considerable but unknown number of enlisted men who were formerly unemployed.

EMPLOYMENT INDEXES

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. A.v.	
	1927	1929	1933	1937	1938	1939	1940	1939*	1940*
<i>All Industries</i>	100.8	113.7	84.4	104.4	115.7	110.9	115.8	111.0	118.3
<i>Manufacturing</i>	100.8	112.7	81.8	104.7	115.5	110.0	116.1	108.6	124.8
<i>Logging</i>	100.2	116.6	42.7	153.4	201.6	107.4	130.2	84.4	129.2
<i>Mining</i>	101.2	115.5	97.2	140.7	155.2	157.4	165.4	163.3	170.1
<i>Transportation</i>	100.4	106.7	82.7	84.6	85.2	84.3	86.5	85.0	88.3
<i>Construction and Maintenance</i>	101.4	120.2	77.1	83.5	104.0	110.0	103.3	128.6	79.6
<i>Trade</i>	100.8	118.2	114.4	128.4	132.5	133.4	137.9	132.4	140.6

* Seasonally adjusted as at first of month.

EMPLOYMENT—ALL INDUSTRIES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. A.v.
1938-39.....	111.2	111.5	111.9	111.4	109.0	110.6	111.0	109.7	111.3	111.3	110.6	111.0
1939-40.....	111.1	110.3	113.1	113.6	114.3	115.0	115.8	118.3	119.8	120.7	118.8	118.

* Seasonally adjusted as at first of month.

EMPLOYABLE UNEMPLOYED IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour
(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	169	154	138	132	124	115	124	143	162	181	191	192	152
1939-40.....	187	169	149	141	142	125	125	133	147	164	170	173	152

ALL PERSONS IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour
(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
<i>All Persons—</i>													
1938-39.....	1,024	956	885	836	758	554	641	787	896	977	1,019	1,028	863
1939-40.....	1,005	923	839	806	803	539	544	586	629	714	753	773	743
<i>AGRICULTURE—</i>													
1938-39.....	392	380	364	339	287	109	168	252	292	321	321	323	295
1939-40.....	319	297	282	271	258	50	60	78	73	96	112	124	168
<i>URBAN—</i>													
1938-39.....	632	576	521	497	471	445	473	535	604	668	698	705	569
1939-40.....	686	626	557	535	545	489	484	508	556	618	641	649	575

WAGE EARNERS UNEMPLOYED*

Estimated by Dominion Bureau of Statistics
(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	437	400	387	407	368	346	378	398	472	485	491	494	421
1939-40.....	473	395	369	352	332	300	283	296	364	377	387	391	360

* Beginning with Sept. 1939, includes a considerable number of enlisted men who were previously unemployed wage earners.

PRICES

12. The gradual decline of wholesale prices which had marked the latter part of the fiscal year 1938-39 continued up until August of 1939, and the index reached a low point of 72.4 in that month. During the economic adjustments that took place in the month or two immediately following the outbreak of war, and in considerable part due to such factors as exchange movement, higher ocean freight and insurance rates, and forward buying both by consumers and producers, wholesale prices of some commodities rose fairly steeply, particularly those of certain imports and exports, including grains and animal products. The total index rose to 79.3 in October, i.e., by about 10% in two months. From that point on to March the rise was more gradual and the index reached a peak of 83.2 in that month. This rise showed up mainly in a further increase in grain prices and in textile prices. Since March there has been a slight decline largely due to lower prices for animal products and grains, and the index for the week ending June 7 was 81.9.

It may be of interest in wartime to note that prices of fully and chiefly manufactured goods have followed very closely the movements of the general index, and that the index of the group "iron and its products" has risen by only about 5% since August while the group "producers' equipment" has increased less than 2%. It may also be worth noting that the index of our export prices had risen by about 24%, and that for imports about 17% between August and April.

During the six months before the war the cost of living remained at the low level to which it had declined in the latter part of 1938. Increased cost of food and, to a much lesser extent, of fuel, caused a rise of about 2% in the index in the first two months of war. Since that time only minor changes have occurred in the total index. Increases in the cost of clothing early in 1940 were offset by some reduction in the cost of food. The latest figure shows an increase of only 3% over that of a year ago.

While no official indexes of wage rates exist except on an annual basis, other information indicates that there have been numerous increases in wage rates, particularly in those trades where there is already some evidence of a shortage of skilled labour.

PRICES

Indexes

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
<i>Wholesale Prices</i>	98.8	95.8	65.5	77.2	84.6	76.0	77.8	73.3	83.1
Consumer's goods.....	98.5	95.2	70.4	75.7	79.7	76.1	77.9	74.1	82.7
Producer's goods.....	99.0	95.9	61.3	76.4	85.5	72.1	73.2	68.2	80.2
Export prices(†).....	100.0	94.2	54.9	71.3	81.1	65.9	66.6	60.8	74.0
Import prices(†).....	100.0	96.1	70.5	82.1	89.0	82.2	87.7	80.7	94.2
13 sensitive manufacturing materials...	96.3	87.6	36.6	61.0	62.5	49.8	61.4	51.0	67.6
<i>Retail Prices</i>	99.5	98.9	71.3	73.9	79.0	78.7	79.1	77.4	81.4
<i>Cost of Living</i>	99.6	98.9	79.9	81.2	83.6	83.8	84.1	83.1	85.6

† For the fiscal years 1927, 1929 and 1933 figures for nearest calendar years are given.

MONTHLY INDEX OF WHOLESALE PRICES

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	82.3	80.3	80.1	78.6	76.0	74.5	74.1	73.5	73.3	73.2	73.2	73.3
1939-40.....	73.4	73.7	73.3	72.6	72.4	78.2	79.3	80.3	81.7	82.6	82.8	83.1

MONTHLY INDEX OF COST OF LIVING

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	84.2	84.2	84.1	84.2	84.9	84.1	83.9	83.8	83.6	83.3	83.1	83.1
1939-40.....	83.1	83.1	82.9	83.1	83.0	82.9	84.7	85.0	85.3	85.1	85.2	85.6

FINANCIAL FACTORS

13. The outstanding facts relating to financial conditions during the past year are, firstly, the changes in exchange rates and the imposition of exchange control, secondly, the smooth working of our credit and monetary machinery and, thirdly, the disturbances caused to security markets by various developments in the war.

The foreign exchange value of the Canadian dollar remained close to the United States dollar until about a week before the outbreak of war. Between August 24 and September 15 it fell to a discount of about 10%. On September 15 the Foreign Exchange Control Board was established and after that date all sterling and foreign exchange transactions of Canadian residents were subject to its control. The official rates established by the Board were: American dollars, buying rate, \$1.10, selling rate \$1.11; Sterling, buying rate \$4.43, selling rate \$4.47. These official rates closely approximated the actual rates prevailing during the few days prior to control, and have not been changed since they were established. Practically all dealings involving Canadian dollars take place at these official rates. Non-residents of Canada are able to transfer Canadian bank balances and other assets to other non-residents, and there is a market for Canadian dollars in New York which is not subject to control by the Foreign Exchange Control Board. The small volume of transactions in this market makes its rates of little significance and also makes them rather unstable.

During the early months of the fiscal year 1939-40 the average yield on long-term Dominion Government bonds remained close to 3%. In the disturbances that naturally took place on security markets at the time of outbreak of war bond prices declined sharply and the average yield on long-term Dominion bonds in September was about 3.60%. From September to April there was a rather irregular recovery in the prices of these bonds, and by the end of April the yield was back down to 3.25%. Since that time there has been a small decline in price, and yields during the first half of June have been in the neighbourhood of 3½%. Canadian stock prices declined moderately in the weeks preceding the outbreak of war. After the war began industrial share prices rose sharply, particularly those of pulp and paper companies. Golds and utility stocks also began to rise before the end of September, and there was a general but mild upward movement till the end of the year. During the first four months of 1940 all groups except the paper stocks suffered a small and gradual decline. In May, however, there was general and severe liquidation which carried most groups to levels lower than any in recent years.

During the first five months of the fiscal year 1939-40 monetary and banking conditions remained stable. Cash reserves of the Chartered Banks increased slightly from \$257 millions in March to \$261 millions in August, while Canadian deposits of the banks increased in proportion. During the three months after the outbreak of war the Bank of Canada added substantially to its security holdings which increased from about \$163 millions in August to \$248 millions in November. This provided cash to meet the enlarged public demands for currency and to increase the cash reserves of the Chartered Banks from an average of \$261 millions in August to an average of \$294 millions in November. With this increase in their reserves the Chartered Banks were enabled to increase their Canadian deposits from \$2,565,000,000 at the end of August to an all time record figure of \$2,871,000,000 at the end of November. In these three months the security holdings of the Chartered Banks rose by \$158 millions, and their current loans to the public by \$147 millions. From November until April the Bank of Canada gradually reduced its security holdings from \$248 millions to \$206 millions. The cash reserves of the Chartered Banks have fallen in the same period from \$294 millions to \$271 millions. Total Canadian deposits of the Chartered Banks have been reduced less than in proportion and at the end

of April amounted to about \$2,753,000,000. This has involved a reduction of the security holdings of the Chartered Banks of about \$73 millions, which is a little less than half their increase last fall.

Total net Government and corporate bond issues in 1939, as reported by the Bank of Canada, amounted to about \$237 millions, exclusive of municipal issues. This compares with \$174 millions, \$56 millions and \$106 millions in the preceding three years. The \$237 millions included net Dominion direct and guaranteed and other C.N.R. issues amounting to \$177 millions, Provincial issues amounting to \$79 millions and net retirements of corporation issues of \$20 millions. In the first quarter of 1940 there have been net Dominion and C.N.R. issues of about \$168 millions and net Provincial issues of about \$40 millions.

On April 30, 1940, an Order in Council was passed requiring all Canadian residents to sell their holdings of foreign exchange (but not of foreign securities) to the Foreign Exchange Control Board before May 31. Some exemptions were made for those requiring a certain amount of foreign exchange to carry on their normal business. As part of this mobilization of foreign exchange resources the gold and most of the foreign exchange reserves of the Bank of Canada were transferred to the Board. In order to provide the Board with the funds to purchase this gold and foreign exchange, the Exchange Fund was increased by \$325,000,000, which was raised by the sale to the Bank of Canada of that amount of short-term Dominion securities. As a consequence of these operations the statements of the Bank of Canada since May 1 show no figures for gold coin and bullion, and much larger figures for investments. The value of gold held by the Bank on April 30 was \$225,772,887.41.

FINANCIAL FACTORS

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
<i>Security Prices and Yields</i>									
<i>Indexes of Common Stock Prices (1926=100)</i>									
General Index.....	101.8	173.3	52.1	125.5	117.6	103.8	99.4	99.9	98.0
Industrials.....	102.4	222.2	60.1	207.6	192.2	171.8	163.0	164.5	157.0
Gold Mines.....	—	94.1	59.0	132.0	112.7	118.8	107.9	114.1	96.1
Dominion Bonds—Average Yields (%).....	4.82	4.64	4.90	3.29	3.32	3.09	3.26	3.03	3.30
Dominion Treasury Bills—Average Yield (%).....	—	—	—	.778	.739	.601	.702	.650	.745
<i>Banking and Currency</i>									
<i>(Millions of Dollars)</i>									
<i>Bank of Canada—</i>									
Total Reserves.....	—	—	—	194.8	206.0	217.5	267.0	236.4	284.6
Total Security Holdings.....	—	—	—	135.8	166.6	179.5	200.2	160.3	200.9
Active Note Circulation.....	—	—	—	70.6	95.9	107.8	140.5	108.3	152.7
Government Deposits.....	—	—	—	23.1	23.7	24.0	39.3	19.8	47.7
Chartered Banks' Cash Reserves.....	—	—	—	230.6	243.1	259.5	270.8	258.6	269.9
<i>Chartered Banks—</i>									
Canadian Deposits.....	1,978.0	2,274.0	1,929.0	2,280.1	2,390.6	2,487.0	2,697.0	2,544.5	2,743.5
Notice Deposits.....	1,355.7	1,507.0	1,378.3	1,530.6	1,584.7	1,649.0	1,700.1	1,698.7	1,666.3
Demand Deposits.....	557.8	682.4	473.1	646.0	684.0	705.0	764.1	710.4	791.0
Total Security Holdings.....	517.8	517.0	726.2	1,370.3	1,430.7	1,450.5	1,577.5	1,503.9	1,595.4
Current Loans in Canada.....	957.7	1,212.9	997.9	685.6	744.1	799.4	899.7	807.3	959.2
Call Loans in Canada.....	145.5	260.1	109.0	104.0	94.8	64.5	52.6	55.0	62.9

Exercises. Finance, Budget &
Debit - Finance and taxation

Government
of Canada

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APPENDIX

TO

THE BUDGET, 1940-41

Budget Papers presented by the
Honourable J. L. Ralston, M.P., for the
information of Parliament on the occasion of the
Budget of 1940-41

- A. Review of Government Accounts, 1939-40.
- B. Review of Economic and Financial Conditions,
1939-40.



OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

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DOMINION OF CANADA

A. GOVERNMENT ACCOUNTS, 1939-40

COMPARATIVE SUMMARY STATEMENT OF REVENUES AND EXPENDITURES

1. As the final figures for the fiscal year 1939-40 are not as yet available, all statements dealing with revenues, expenditures, investments and balance sheet items are estimated. It is expected that when the books of the year are finally closed, any variations from the figures shown herein will be of slight importance.

2. The following tables show, by main categories and in detail, revenues, expenditures and the increase in net debt for the fiscal year 1939-40, together with comparable figures for the four preceding fiscal years:

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Tax Revenues—					
Customs import duties.....	74,004	83,771	93,456	78,751	104,301
Excise duties.....	44,410	45,957	52,037	51,314	61,032
War tax revenues—					
Banks.....	1,281	1,210	1,107	1,014	949
Insurance companies.....	761	775	867	891	926
Income tax.....	82,710	102,365	120,366	142,026	134,449
Sales tax.....	77,552	112,832	138,055	122,139	137,446
Manufacturers' importations, stamps, transportation taxes, etc.....	35,181	39,641	42,764	39,572	28,582
Tax on gold.....	1,413	—	—	—	—
Total revenue from taxes.....	317,312	386,551	448,652	435,707	467,685
Non-tax Revenues—					
Canada Grain Act.....	1,213	1,192	680	1,156	1,711
Canada Gazette.....	49	48	47	49	55
Canals.....	890	1,004	1,866	723	762
Casual.....	4,636	6,276	6,597	7,440	9,373
Chinese revenue.....	6	7	2	2	2
Electricity.....	542	646	692	726	715
Fines and forfeitures.....	295	134	209	211	88
Fisheries.....	42	56	60	52	54
Gas inspection.....	91	93	88	84	81
Insurance inspection.....	147	152	162	172	179
Interest on investments.....	10,614	11,231	13,120	13,163	13,394
Lands, Parks and Forests.....	458	478	541	681	677
Marine.....	222	263	336	377	349
Mariners' fund.....	187	205	206	211	278
Military college.....	20	20	20	20	14
Militia pensions revenue.....	178	187	194	209	233
Ordnance lands.....	16	15	16	20	18
Patent and copyright fees.....	455	464	452	442	416
Penitentiaries.....	68	62	63	82	137
Post Office.....	32,508	34,275	35,546	35,288	36,729
Premium, discount and exchange.....	36	—	27	478	7,940
Public Works.....	251	274	318	297	306
Radio Licences.....	1,574	(1) 990	—	—	—
R.C.M.P. officers' pensions.....	11	10	11	11	11
Weights and measures.....	401	396	393	416	411
Total non-tax revenue.....	54,910	58,478	61,646	62,310	73,933
Total ordinary revenues.....	372,222	445,029	510,298	498,017	541,618
Special Receipts—					
Sundry receipts.....	320	(2) 8,464	3,010	1,256	164
Other credits—					
Refunds on capital account.....	27	616	1,543	40	21
Credits to non-active accounts.....	27	45	819	2,858	20,292
Net credit resulting from various adjustments in Railway accounts authorized by Canadian National Railways Capital Revision Act, 1937	—	—	1,023	—	—
Total Special Receipts and Credits.....	374	9,125	6,395	4,154	20,477
Grand Total Revenue.....	372,596	454,154	516,693	502,171	562,095

(1) As from November 1936, radio licence fees have been deposited to credit of The Canadian Broadcasting Corporation.

(2) Includes \$8,000,000 from Canadian Wheat Board taken into the accounts as an offset, in part, to the disbursements in 1935-36 re losses on 1930 wheat pool and stabilization operations.

**STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS**

(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE					
Agriculture	9,399	8,741	9,017	9,527	11,817
Auditor General's Office	429	423	463	473	459
Civil Service Commission	259	305	358	379	398
External Affairs, including Office of Prime Minister	1,290	1,341	1,450	1,057	1,228
Finance—					
Interest on Public Debt	134,549	137,410	132,118	127,996	129,315
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions	3,577	3,839	4,555	4,914	4,992
Premium, Discount and Exchange (net)	—	400	—	—	—
Subsidies to Provinces	13,769	13,735	13,735	13,752	13,769
Special Grants to Provinces	3,975	3,225	7,475	7,475	5,475
Other Grants and Contributions	736	540	560	643	660
Civil Pensions and Superannuation	854	787	712	638	574
Government contribution to Super- annuation Fund	1,875	2,019	2,065	2,220	2,271
Old Age Pensions, including pensions to blind persons commencing in 1937- 38	16,764	21,149	28,653	29,044	29,977
General Expenditure	3,654	3,498	3,573	3,639	3,959
Fisheries	1,710	1,691	1,850	2,036	2,320
Governor General and Lieutenant Gov- ernors	219	224	225	226	227
Insurance	163	172	187	194	195
Justice	2,748	2,773	2,790	2,748	2,725
Penitentiaries	2,377	2,372	2,577	2,675	2,941
Labour	660	720	706	788	788
Technical Education	99	76	49	27	31
Government Annuities— Payments to maintain reserve	272	541	8,941	—	—
Legislation—					
House of Commons	1,486	1,760	1,516	1,800	1,286
Library of Parliament	76	75	79	72	76
Senate	491	587	536	600	432
General	55	73	57	75	68
Dominion Franchise Office	498	53	76	50	—
Chief Electoral Officer, including elec- tions	1,089	72	45	114	458
Mines and Resources—					
Administration	—	—	(1) 1,491	(1) 184	(1) 180
Immigration and Colonization	1,322	1,313	1,163	1,335	1,338
Indian Affairs	4,869	4,904	4,897	5,305	5,579
Interior	2,939	2,887	—	—	—
Lands, Parks and Forests	—	—	1,910	2,249	2,117
Surveys and Engineering	—	—	933	1,325	1,406
Mines and Geological Survey	1,040	1,135	658	1,340	1,325
Movement of Coal and Subsidies under Domestic Fuel Act	2,103	2,277	2,521	1,921	4,532
National Defence—					
Administration	—	—	—	(2) 409	(2) 166
Militia Service	10,141	11,346	17,221	15,772	5,995
Naval Service	2,380	4,763	4,372	6,590	1,869
Air Service	3,777	5,822	10,018	11,216	4,852
Sundry Services	879	992	1,149	447	310
National Revenue (including Income Tax)	10,963	11,205	11,870	11,899	12,064
Pensions and National Health—					
Administration	—	—	—	(2) 118	(2) 126
Treatment and after-care of returned soldiers	11,060	11,579	12,109	13,453	14,778
Pensions, War and Military	42,790	42,801	42,240	42,181	42,217
Health Division	993	873	957	1,012	1,113

(1) Prior to 1937-38 general administration expenses were not segregated from other expenditures of the respective services of the departments which were amalgamated to form the Department of Mines and Resources. The figures from 1938-39 represent only Departmental Administration, other administration costs being included as in other departments, under the respective services.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Continued
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
ORDINARY EXPENDITURE—Concluded					
Post Office.....	31,438	31,906	33,762	35,456	36,727
Privy Council.....	46	45	48	49	59
Public Archives.....	165	160	170	159	149
Public Printing and Stationery.....	169	169	161	191	199
Public Works.....	12,945	14,519	12,382	15,484	13,066
Royal Canadian Mounted Police.....	6,165	5,901	6,308	6,145	5,667
Secretary of State.....	705	655	693	730	836
Soldier Settlement.....	762	806	801	758	621
Trade and Commerce.....	3,458	5,523	4,070	4,763	4,950
Canada Grain Act.....	1,848	1,739	1,675	1,847	1,983
Mail Subsidies and Steamship Subven- tions.....	2,426	2,120	2,029	1,993	1,907
Transport—					
Administration.....	—	—	(2) 417	(2) 371	(2) 364
Air Service.....	—	—	(*) 2,935	(3) 3,457	(3) 3,862
Marine Service.....	5,857	5,614	4,290	4,271	4,215
Canadian Radio Commission.....	1,500	878	—	—	—
Canadian Travel Bureau.....	248	250	250	249	312
Railways and Canals.....	4,002	3,769	3,661	4,371	3,756
Maritime Freight Rates Act.....	2,348	2,506	3,183	2,583	2,660
Railway Grade Crossing Fund.....	128	54	180	187	255
Total ordinary expenditure.....	372,539	387,112	414,892	413,032	397,996
CAPITAL EXPENDITURE					
Canals.....	458	52	—	—	—
Railways.....	287	203	71	26	23
Public Works.....	5,799	3,237	4,359	5,398	7,006
Total capital expenditure.....	6,544	3,492	4,430	5,424	7,029
SPECIAL EXPENDITURE					
Unemployment Relief Act, 1930.....	26	—	—	—	—
Unemployment Relief Act, 1931.....	26	—	—	—	—
Unemployment Relief Act, 1932.....	111	—	—	—	—
Unemployment Relief Act, 1933.....	494	—	—	—	—
Unemployment Relief Act, 1934.....	1,152	—	—	—	—
Unemployment Relief Act, 1935.....	48,027	—	—	—	—
Administration—Relief Acts.....	—	194	378	260	287
Grants-in-aid to Provinces.....	—	28,930	19,493	17,037	—
Material Aid to Provinces, including municipal improvements projects.....	—	—	—	—	19,534
Dominion share of joint Dominion- Provincial projects.....	—	12,692	8,841	6,259	7,147
Dominion Projects.....	—	23,554	13,913	12,981	24,919
Transportation facilities into mining areas	—	1,221	1,324	1,213	1,121
Railway Maintenance Relief Work.....	—	2,662	—	—	—
	49,836	69,253	43,949	37,750	53,008
Western Drought Area Relief—					
Direct Relief.....	—	5,144	11,925	8,869	1,605
Feed and fodder and freight thereon..	—	3,517	11,352	—	—
Freight charges on movement of cattle	—	90	—	—	—
Expenses of marketing cattle.....	—	—	337	—	—
Purchase and distribution of food stuffs.....	—	—	972	277	—
Prairie Farm Assistance Act, 1939—					
Net Expenditure.....	—	—	—	—	7,500
	—	8,751	24,586	9,146	9,105

(2) Prior to 1937-38 in the case of the Department of Transport and prior to 1938-39 in the case of National Defence and Pensions and National Health general administration expenses were not segregated from other expenditure of the respective services of the departments.

(3) Prior to 1937-38 expenditures on civil aviation, now the Air Service Branch of the Department of Transport, were included under expenditures for the Air Service Branch of the Department of National Defence.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Continued

(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
SPECIAL EXPENDITURE—Concluded					
Public Works Construction Acts.....	29,581	—	—	—	—
1930 Wheat Crop Equalization Payments Act.....	6,600	—	—	—	—
Loss on 1930 Wheat Pool and stabilization operations—					
Payment to Canadian Wheat Board of net liability assumed as at Dec. 2, 1935.....	15,856	—	—	—	—
Loss on 1930 oats pool under guarantee of bank advances to Canadian Co- operative Wheat Producers, Limited	174	—	—	—	—
Provision for reserve against estimated losses on 1933 wheat marketing guarantees.....	—	—	—	25,000	27,000
	52,211	—	—	25,000	27,000
War Expenditure.....	—	—	—	—	118,340
Total special expenditure.....	102,047	78,004	68,535	71,896	207,453
GOVERNMENT OWNED ENTERPRISES					
Losses charged to Consolidated Fund—					
Canadian National Railway System, ex-eastern lines.....	41,796	37,449	37,882	48,194	34,851
Eastern Lines.....	5,625	5,854	4,464	6,120	5,245
Prince Edward Island Car Ferry and Terminals.....	—	—	—	(1) 388	427
Canadian National Steamships.....	270	—	—	—	—
National Harbours Board.....	1,126	250	289	138	94
Trans-Canada Air Lines.....	—	—	111	818	412
Central Mortgage Bank.....	—	—	—	—	16
Total charged to consolidated fund.....	48,817	43,553	42,746	55,658	41,045
Loans and advances non-active—					
Canadian National Steamships.....	(Cr.) 333	(Cr.) 1,754	104	6	8
National Harbours Board.....	2,456	2,419	1,983	3,279	1,027
Total non-active advances.....	2,123	665	2,087	3,285	1,035
Total government-owned enter- prises.....	50,940	44,218	44,833	58,943	42,080
OTHER CHARGES					
Write-down of assets chargeable to Con- solidated Fund—					
Drought Area Relief Loans, 1934-35—					
Province of Saskatchewan.....	—	—	—	—	1,374
Reduction in soldier and general land settlement loans.....	488	628	750	1,023	1,643
Yearly established losses in seed grain and relief accounts—Department of Mines and Resources.....	27	44	14	18	10
Canadian National Railways Secur- ities Trust Stock—Reduction due to line abandonments during calendar years 1938 and 1939.....	—	—	(2) —	2,713	2,600
Cancellation of Canadian Farm Loan Board—Capital Stock.....	—	20	10	14	11
Province of Manitoba Treasury Bills..	—	—	(4) 805	—	—
Province of Saskatchewan Treasury Bills.....	—	—	—	—	(4) 17,682

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY
DEPARTMENTS FOR THE LAST FIVE FISCAL YEARS—Concluded

(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
Non-active Accounts—					
General Land Settlement Loans.....	—	—	139	—	—
Active assets transferred to non-active.	—	(²) 18,487	—	—	—
Fulfilment of guarantees—					
The Saskatchewan Seed Grain Loans					
Guarantee Act, 1936.....	—	—	—	—	2,638
Total other charges.....	515	19,179	1,718	3,768	25,958
Grand total expenditures.....	532,585	532,005	534,408	553,063	680,516

(¹) Included with Eastern lines in previous years.

(²) An amount of \$711,000 representing line abandonments during the calendar year 1937 was included in the adjustments resulting from the Canadian National Railways Capital Revision Act, 1937.

(³) Dominion contribution to Voluntary Debt Adjustment Program effected in Provinces of Manitoba and Saskatchewan respecting Drought Area Relief that was financed by the Dominion up to January 1, 1935—Manitoba \$805,000, Saskatchewan \$17,682,000.

(⁴) These amounts are offset by a contra account on the revenue side.

SUMMARY OF REVENUES AND EXPENDITURES

(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Ordinary expenditures.....	372,539	387,112	414,892	413,032	397,996
Ordinary revenues.....	372,222	445,029	510,298	498,017	541,618
Deficit (—) or surplus (+) on ordinary account.....	—317	+57,917	+95,406	+84,985	+143,622
Special expenditures.....	102,047	78,004	68,535	71,896	207,453
Less special receipts.....	320	8,464	3,010	1,256	164
Balance.....	101,727	69,540	65,525	70,640	207,289
Add—Capital expenditures.....	6,544	3,492	4,430	5,424	7,029
“ Government owned Enterprises...	50,940	44,218	44,833	58,943	42,080
“ Other charges.....	515	19,179	1,718	3,768	25,958
	159,726	136,429	116,506	138,775	282,356
Less other credits.....	54	661	3,385	2,898	20,313
	159,672	135,768	113,121	135,877	262,043
Add deficit or deduct surplus as above..	317	57,917	95,406	84,985	143,622
Over-all deficit or increase of direct net debt.....	159,989	77,851	17,715	50,892	118,421

REVENUES, 1939-40

3. The total revenues of the Dominion from taxation and other sources, not including \$20,292,000 of credits to non-active account which necessarily appears also on the expenditure statement, aggregated \$541,803,000. This represents an increase of \$26,952,000 or 5.2% over the previous all-time record revenue received in the fiscal year 1937-38. Compared with last fiscal year, 1938-39, the increase was \$42,490,000, or 8.5%.

4. Total revenue from taxation amounted to \$467,685,000, an increase of \$31,978,000 over that collected in the previous year. With the exception of (1) income tax, and (2) manufacturers', importations, stamps, transportation taxes, etc., the main sources of taxation recorded substantial increases over last fiscal year. These increases arose out of taxation changes effected by the emergency budget of September 12, 1939 and improvement of business conditions generally.

5. The sales tax replaced income tax as the largest single revenue producer. Receipts from this tax totalled \$137,446,000, an increase of \$15,307,000 over 1938-39. This increase was due in part to improvement in general business activity and in part to the removal from the schedule of exemptions of electricity and gas used for domestic purposes, salted or smoked meats and canned fish, as provided for in the budget of September 12, 1939.

6. Income tax receipts totalled \$134,449,000, a decline of \$7,577,000 from that collected in the previous year. This decline was principally in the collections of the tax on corporation incomes based on 1938 earnings. Of the receipts, \$77,920,000 was from the tax on corporation incomes, \$45,407,000 from the tax on individual incomes, and \$11,122,000 from the 5% tax collected at the source on interest and dividends.

7. Other excise taxes including the stamp tax on cheques, etc., and the taxes on sugar, automobiles and rubber tires, matches, toilet preparations, pullman tickets, telegraph and telephone messages and other miscellaneous commodities realized \$28,582,000, a decrease of \$10,990,000 from the previous year. The removal of the 3% tax on importations under the intermediate tariff resulted in a loss in revenue from this source of \$13,612,000. The difference, namely \$2,622,000, represents the net increase in other items of excise taxes.

8. Receipts from excise duties, mainly on liquor and tobacco totalled \$61,032,000, an increase of \$9,718,000. This increase was due largely to the increased duties on liquor and tobacco following the budget of September 12, 1939.

9. The greatest increase in revenues from any one source occurred in customs import duties, where a total of \$104,301,000 was realized, compared with \$78,751,000 for the previous fiscal year, an increase of \$25,550,000 or 32.4%. Of this increase it is estimated that approximately \$6,600,000 was obtained from the tariff increases provided for in the September, 1939, budget. The balance of the increase reflects improvement in conditions generally, due in part at least to expanding activity brought about by the war.

10. Non-tax revenues or revenues from services rendered by the various departments and interest on investments, totalled \$73,931,000 compared with \$62,310,000 in the previous year. The largest non-tax item is the receipts of the Post Office which totalled \$36,729,000 during 1939-40, an increase of \$1,441,000 over the preceding fiscal year. The cost of operations of the Post Office last year was practically the same as its receipts, there being a nominal surplus of \$2,000. Last fiscal year there was a nominal deficit of \$168,000. The Post Office accounts do not include the rental value and other costs of premises occupied and equipment used, nor do they include any credit to the Post Office for services rendered to other departments through the free use of the mails.

The second largest non-tax revenue item is Interest on Investments which totalled \$13,394,000, an increase of \$231,000 over that received in the previous year.

Casual Revenue including mint handling charges and net profits on coinage, Dominion's share of surplus profits of the Bank of Canada, receipts from various provinces for services rendered by the Royal Canadian Mounted Police and other miscellaneous items totalled \$9,373,000.

The large amount shown as Premium, Discount and Exchange revenue is due mainly to the redemption of the 3½% 1930-50 loan of £28,162,776, which was called for payment and paid at the current rate of sterling.

11. Special Receipts and other credits amounted to \$20,477,000. The main item in this category is the credit of \$20,292,000 made up of \$17,682,000 of Province of Saskatchewan treasury bills written off from non-active account; \$2,600,000 of Canadian National Railways Securities Trust Stock written off because of line abandonments during the calendar year 1939; and \$10,000 representing the yearly established losses in the seed grain and relief accounts of the Department of Mines and Resources. All of these amounts necessarily appear on the expenditure statement under the heading of "Other Charges".

EXPENDITURES, 1939-40

12. The comments which follow will deal with expenditures classified by the usual main categories: Ordinary Expenditures, Capital Expenditures, Special Expenditures (including relief and war), Operating Deficits of and Non-active Advances to Government Owned Enterprises, and Other Charges. All disbursements under these categories are included as expenditure in arriving at the over-all deficit or increase in net debt.

ORDINARY EXPENDITURES

13. Ordinary expenditures, which include interest on the public debt and the general administrative expenses of the Government totalled \$397,996,000, a decrease of \$15,036,000 from the previous fiscal year.

The largest decrease in ordinary expenditures is in the Department of National Defence where by reason of the war a change in policy was instituted as from September 1, 1939 which involved the charging of certain expenditures of this department to War Expenditures. These are included in the totals shown under section 15. Certain Defence Expenditures, totalling \$3,770,000, originally set up as Capital have been charged to Ordinary Account pursuant to Item 205 of the Main Estimates, 1940-41. Ordinary expenditures of the Public Works Department decreased approximately \$2,400,000 and special grants to provinces were reduced by \$2,000,000.

There were no very large increases in the ordinary expenditures of any particular department. Expenditures of the Department of Agriculture increased by \$2,290,000. Interest on public debt was up by \$1,319,000. The Dominion's share of Old Age Pensions, including pensions to blind persons was \$933,000 higher than last fiscal year. Payments in connection with the movement of coal under the Department of Mines and Resources increased by \$2,611,000. The only other increase of any considerable amount was for the treatment and after-care of returned soldiers which increased by \$1,325,000.

CAPITAL EXPENDITURES

14. Total expenditures charged to capital amounted to \$7,029,000 compared with \$5,424,000 in the previous year. The main items in this category are expenditures arising out of dredging the St. Lawrence Ship Channel and the construction and improvements of airways and airports.

SPECIAL EXPENDITURES

War Expenditures—

15. Expenditures arising out of the War are treated as special expenditures. The amount actually expended and charged to the fiscal year 1939-40 was \$118,340,000 divided by departments and services as follows:—

Agriculture—

Purchase of Apples.....	\$ 1,302,000	
Purchase of Fibre Flax Seed.....	1,000	
Program to encourage production of essential agricultural war supplies.....	39,000	
Sundry.....	35,000	
	<hr/>	\$ 1,377,000

Auditor General's Office—

Audit of War Expenditure.....	8,000
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Civil Service Commission—

Additional War Expenses.....	6,000
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External Affairs—

Establishment of new offices abroad.....	47,000	
Sundry.....	29,000	
	<hr/>	76,000

*Finance—**Comptroller of the Treasury—*

Dependents' Allowance Office and Outside Establishments.....	358,000	
War Supply Board Administration.....	215,000	573,000
	<hr/>	

Justice—

Prize Court.....	1,000	
Defence of Canada regulations.....	13,000	
	<hr/>	14,000

Labour—

Wartime Prices and Trade Board.....	55,000
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Mines and Resources—

Repatriation of distressed Canadians abroad.....	18,000
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National Defence—

Administration.....	504,000	
Military Services.....	67,323,000	
Censorship.....	99,000	
Internment.....	274,000	
Naval Services.....	11,351,000	
Air Services.....	28,554,000	
British Commonwealth Air Training Plan...	4,257,000	
	<hr/>	112,362,000

National Harbours Board—

St. John—Dredging—Courtenay Bay.....	70,000
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National Research Council—

Scientific and Technical Work.....	121,000
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National Revenue—

Censorship of Publications.....	2,000
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War Expenditures—Concluded

Pensions and National Health—

Hospitalization Expenses—

C.A.S.F.....	778,000
R.C.M.P.....	49,000
Air Raid Precautions.....	56,000
Sundry.....	17,000

900,000

Post Office—

Censorship Co-ordination Committee

(Postal Censorship).....	70,000
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Privy Council—

Censorship Co-ordination Committee.....	5,000
Sub-Committee of the Cabinet on Public Information.....	25,000

30,000

Public Works—

New Office building in Ottawa.....	137,000
Furniture, etc., for new employees.....	263,000
Alterations to buildings.....	203,000
Rental of new premises.....	87,000
Construction, repairs and improvements to drydocks and dockyards.....	68,000
Halifax barracks and torpedo building.....	60,000
Sundries.....	11,000

829,000

Royal Canadian Mounted Police—

Increase in strength.....	1,400,000
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Secretary of State—

Censorship Co-Ordination Committee (Press Censorship Division).....	30,000
Internment Operations.....	15,000
Public Information Office.....	22,000
Sundries.....	8,000

75,000

Trade and Commerce—

Expenses <i>re</i> Canadian Shipping Board.....	4,000
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Transport—

Airport and airway facilities and aerodrome sites.....	138,000
Meteorological services—wartime.....	25,000
Radio services—wartime.....	71,000
Canals services—canals protection and special pilotage.....	18,000
Marine services—increased services of Marine Service Fleet, and replacing of buoys.....	75,000
Sundries.....	23,000

350,000

TOTAL.....

\$118,340,000

Relief Expenditures—

16. Special expenditures for the alleviation of unemployment conditions and of agricultural distress amounted in 1939-40 to \$62,113,000 compared with \$46,896,000 in the previous year. Payments to provinces under the Material Aid and Municipal Improvements Projects agreements amounted to \$19,534,000 compared with Grants-in-aid to provinces the previous year of \$17,037,000. The Dominion's share of joint Dominion-Provincial projects, including transportation facilities into mining areas and the development of tourist highways, increased from \$7,472,000 to \$8,268,000. The total cost of public works and other projects including administration for which the Dominion assumed sole responsibility amounted to \$25,206,000 as compared with \$13,241,000 during the preceding year.

Special drought area relief in the Province of Saskatchewan was confined to the earlier months of the fiscal year, and consequently expenditures under this heading declined from \$9,146,000 in 1938-39 to \$1,605,000 in 1939-40. However, as an offset to this reduction, there was an expenditure during 1939-40 of \$7,500,000 under the Prairie Farm Assistance Act, 1939, representing the net cost to the Dominion in connection with the acreage bonuses paid to farmers under the Act.

The following table compares relief expenditures during each of the last two fiscal years:

	1938-39	1939-40
Material Aid to Provinces.....	\$ 17,037,000	\$ 18,291,000
Dominion's share, Municipal Improvements projects.....		1,243,000
Dominion's share of joint Dominion-Provincial projects.....	7,472,000	8,268,000
Dominion Projects—		
Department of Agriculture.....	3,338,000	3,620,000
" Fisheries.....	533,000	232,000
" Mines & Resources.....	1,672,000	2,752,000
" National Defence.....	369,000	137,000
" Public Works.....	5,780,000	13,338,000
" Transport.....	1,076,000	4,296,000
Sundry Departments.....	473,000	831,000
Western Drought Area Relief—		
Direct Relief and Agricultural Relief.....	8,869,000	1,605,000
Foodstuffs.....	277,000	.....
Prairie Farm Assistance Act Net Payments.....		7,500,000
	<u>\$ 46,896,000</u>	<u>\$ 62,113,000</u>

17. The following table shows the Dominion's relief expenditures of a direct nature since the passing of the first Relief Act in 1930:

(000 omitted)

	Direct Relief including Grants-in-Aid	Joint Dominion-Provincial Works and Projects	Dominion Works and Projects	Western Drought Area Relief	Write-off of Provincial Loans	Miscellaneous Relief Expenditures	Total
	\$	\$	\$	\$	\$	\$	\$
Period Sept. 22/30 to Mar. 31, 1935.....	77,767	49,643	29,977	(1) 15,088	.....	3,532	176,007
Year ended Mar. 31/36.....	26,570	10,408	38,132	(2) 4,000	.....	306	79,416
Year ended Mar. 31/37.....	28,931	12,472	27,585	8,751	(3) 18,487	265	96,401
Year ended Mar. 31/38.....	19,530	10,165	13,847	24,586	.....	407	68,535
Year ended Mar. 31/39.....	17,070	7,472	12,919	9,146	.....	288	46,895
Year ended Mar. 31/40 (estimated).....	19,534	8,268	24,919	(4) 9,105	(5) 1,374	287	63,487
Total.....	189,402	98,428	147,379	70,676	19,861	5,085	530,831

(1) Includes \$5,000,000 Province of Saskatchewan Treasury Bills written off and charged to expenditure.

(2) Represents Province of Saskatchewan Treasury Bills written off and charged to expenditure.

(3) Written down to non-active assets as of March 31, 1937, and written off during 1939-40.

(4) Includes net cost to the Dominion under the Prairie Farm Assistance Act 1939, \$7,500,000.

(5) Write off of Saskatchewan Treasury Bills re 1934-35 Drought Area Relief.

In the above table no account is taken of loans to Western Provinces under Relief Acts, loans to cover labour cost of special railway works programs and losses borne by the Dominion as a result of wheat marketing operations.

18. The last item in this classification covers losses arising from the Dominion's guarantee of a price of 80 cents per bushel, basis No. 1 Northern, Fort William, for the Western Wheat Crop of 1938. At the close of the fiscal year under review there remained unsold a small quantity of wheat of the 1938 crop and accordingly the losses of the Canadian Wheat Board in respect of the marketing of that crop were not finally determined. It was clear, however, that these losses would amount to at least \$52,000,000. An advance of this amount without interest was made on account to the Board to enable it to pay off guaranteed bank advances. During 1938-39 a reserve of \$25,000,000 had been set up as a reserve in the accounts in respect of possible losses in marketing this wheat and the difference between the total advance of \$52,000,000 and this reserve, namely, \$27,000,000 has been charged to the Dominion's accounts in 1939-40.

GOVERNMENT OWNED ENTERPRISES

19. The next major classification of expenditures comprises the losses of, and non-active advances to, Government owned enterprises which are operated as separate corporations.

Canadian National Railways

20. The operating revenues of the Canadian National Railways for the calendar year 1939 amounted to \$203,820,000, an increase of \$21,578,000 or 11.8% from the preceding year. All classifications of revenue tonnage, except forest products, showed substantial increases over 1938.

Operating expenses of the Railways totalled \$182,966,000 an increase of \$6,790,000 or 3.8% over 1938. Most of this increase was in maintenance and transportation expenses necessitated by the increase in traffic.

The net revenue available for interest on the railway's debt was \$10,635,000 compared with a deficit before interest charges of \$3,549,000 in 1938. After payment of interest charges of \$49,814,000 due to the public and interest

charges of \$916,000 due to the Government in respect of temporary loans for capital purposes, there was a net cash deficit of \$40,096,000 compared with \$54,314,000 in the previous year, a decrease of \$14,218,000.

The operating deficit of the Prince Edward Island Car Ferry and Terminals during 1939 was \$427,000 as compared with \$388,000 in 1938.

National Harbours Board

21. The operations of the harbours and facilities under the administration of the National Harbours Board in 1939 recorded a small gain over 1938. Operating income for the calendar year after payment of interest to the public but before depreciation and interest on Government advances, totalled \$3,723,000 compared with \$3,640,000 in the previous year.

Financial assistance provided by the Government to the National Harbours Board and charged to Dominion expenditure in the fiscal year ended March 31, 1940, amounted to \$1,121,000. This amount was made up as follows: \$94,000 for the operating deficits of the harbours at Quebec and Churchill; \$377,000 for non-active advances for the deficit of the Jacques Cartier Bridge at Montreal; \$7,000 for retirement of debentures of the Saint John Harbour Commission and \$643,000 for capital expenditures at Halifax, Saint John, Quebec, Chicoutimi and Three Rivers.

The elevators at Port Colborne and Prescott operated at a profit during 1939 and the Government received \$325,000 from these sources which was credited to Casual Revenue.

Canadian National Steamships

22. Total earnings, especially passenger revenue, of the Canadian National (West Indies) Steamships Limited were seriously affected after the outbreak of war. The 1939 operations of the Company resulted in a surplus of \$154,000 after payment of interest on bonds held by the public but before depreciation and interest on advances from the Government. The comparable figure for 1938 was \$276,000. The 1939 operating surplus was paid to the Government in partial payment of interest. An advance of \$8,000 was made to the Company for capital improvements of vessels under its control.

Trans-Canada Air Lines

23. The operations of the Trans-Canada Air Lines expanded greatly during the calendar year 1939. Operating revenue increased from \$591,000 to \$2,350,000. The annual deficit after payment of interest on capital and depreciation decreased from \$818,000 in 1938 to \$412,000 in 1939.

Central Mortgage Bank

24. The operations of the Central Mortgage Bank for the period July 14 to December 31, 1939, resulted in an operating deficit of \$16,000 which was paid by the Dominion Government. Further information as to this Bank will be found under Loans and Investments.

Summary

25. The total amount charged to Government expenditures resulting from operating deficits and non-active advances to all government owned enterprises totalled \$42,080,000 as compared with \$58,943,000 in the fiscal year ended March 31, 1939. The decrease of \$16,863,000 was mainly due to the reduction of the deficit of the Canadian National Railways. Loans and Advances to Government Owned Enterprises which are treated in the Public Accounts as Active Assets are referred to in a later section.

OTHER CHARGES

26. Other Charges, the final main category of expenditures, amounted to \$25,958,000. The principal item included in this total was the write-off of Saskatchewan treasury bills from non-active assets to Consolidated Fund amounting to \$17,682,000. Other items similarly dealt with were reduction of Canadian National Railways Securities Trust Stock of \$2,600,000 representing line abandonments during the calendar year 1939 and the yearly established losses in seed grain and relief accounts of the Department of Mines and Resources amounting to \$10,000. The total of these three items, namely, \$20,292,000, is offset by a similar amount of Other Credits already referred to under Revenues.

The annual write-off of Soldier and General Land Settlement Loans amounted to \$1,643,000. Capital Stock of the Canadian Farm Loan Board in the amount of \$11,000 was cancelled. An amount of \$1,374,000 of Saskatchewan Treasury Bills was written-off as a final adjustment with respect to drought area relief assumed by the Dominion for the period September 1, 1934, to August 31, 1935.

Pursuant to the Saskatchewan Seed Grain Loans Guarantee Act, 1936, the Dominion was required to fulfil its guarantee with respect to bank loans to municipalities to the extent of \$2,638,000.

SUMMARY OF EXPENDITURES

27. The grand total of the preceding expenditures, i.e., Ordinary, Capital, Special including War, Government Owned Enterprises, and Other Charges, is \$680,516,000 for the fiscal year 1939-40.

28. The following table shows the percentage distribution of revenues and expenditures for a number of important items of revenue and expenditure. Receipts from various taxes and other revenue sources are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. This table should only be used for the purpose of drawing broad conclusions as to the relative burdens imposed on the treasury by the several important services or obligations of Government.

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES, 1939-40
(000 omitted)

Revenues	Amount (estimated)	Percentage of total Revenues	Percentage to total Expend- iture
Ordinary Revenue—	\$	%	%
Income Tax.....	134,449	23.92	19.76
Customs Import Duties.....	104,301	18.56	15.33
Excise Duties.....	61,032	10.86	8.97
Sales Tax.....	137,446	24.45	20.20
Manufacturers', importation, stamp taxes, etc.....	28,582	5.09	4.20
Other tax revenues.....	1,875	0.33	0.27
Total Revenue from Taxes.....	467,685	83.21	68.73
Non-tax Revenues.....	73,933	13.15	10.86
Total Ordinary Revenue.....	541,618	96.36	79.59
Special Receipts and Credits.....	164	0.03	0.02
Other Receipts and Credits—			
Refunds of capital expenditures and credits on non-active accounts.....	20,313	3.61	2.99
Grand Total Revenues.....	562,095	100.00	82.60

PERCENTAGE DISTRIBUTION OF REVENUES AND EXPENDITURES,
1939-40—Concluded

(000 omitted)

Expenditures	Amount (estimated)	Percentage of total Expend- iture	Percentage to total Revenue
	\$	%	%
Ordinary Expenditure—			
Interest on public debt.....	129,315	19.00	23.01
Cost of loan flotations and amortization charges.....	4,992	0.73	0.89
Public Debt Charges.....	134,307	19.73	23.90
Subsidies and special grants to Provinces.....	19,244	2.83	3.42
Old Age Pensions.....	29,977	4.40	5.33
Civil pensions and superannuation.....	574	0.08	0.10
Pensions and after-care of soldiers—			
Pensions, war and military.....	42,217	6.20	7.51
Treatment and after-care of returned soldiers.....	14,778	2.17	2.63
Total.....	56,995	8.37	10.14
Agriculture.....	11,817	1.74	2.10
Fisheries.....	2,320	0.34	0.41
Legislation.....	2,320	0.34	0.41
Mines and Resources.....	16,477	2.42	2.93
National Defence.....	13,192	1.94	2.35
Post Office.....	36,727	5.40	6.54
Public Works.....	13,066	1.92	2.33
Transport.....	15,424	2.27	2.75
All other.....	45,556	6.70	8.10
Total Ordinary Expenditure.....	397,996	58.48	70.81
Capital Expenditure—			
Railways.....	23	—	—
Public Works.....	7,006	1.03	1.25
Total Capital Expenditure.....	7,029	1.03	1.25
Special Expenditure—			
Reserve for losses on wheat.....	27,000	3.97	4.80
Material aid to Provinces, including improvements projects..	19,534	2.87	3.48
Dominion projects.....	24,919	3.66	4.43
Western Drought Area Relief.....	9,105	1.34	1.62
Miscellaneous relief.....	8,555	1.26	1.52
War expenditure.....	118,340	17.39	21.06
Total Special Expenditure.....	207,453	30.49	36.91
Government Owned Enterprises—			
Losses charged to Consolidated Fund—			
Canadian National Railways.....	40,523	5.95	7.21
National Harbours Board, Trans-Canada Air Lines and Central Mortgage Bank.....	522	0.08	0.09
Loans and Advances Non-Active—			
Canadian National Steamships and National Harbours Board.....	1,035	0.15	0.18
Total Government Owned Enterprises.....	42,080	6.18	7.48
Other Charges—			
Write-down of assets.....	23,320	3.43	4.15
Fulfilment of guarantees—Saskatchewan Seed Grain Loans Guarantee Act, 1936.....	2,638	0.39	0.47
Total Other Charges.....	25,958	3.82	4.62
Grand Total Expenditures.....	680,516	100.00	121.07

OVER-ALL DEFICIT

29. Total revenues for 1939-40 amounted to \$562,095,000, and total expenditures to \$680,516,000, resulting in an over-all deficit of \$118,421,000. In the preceding fiscal year, the comparable deficit was \$50,892,000.

LOANS AND INVESTMENTS

Active Assets

30. In addition to the expenditures for the year, as already outlined, the Dominion has made disbursements for the acquisition of investments which are considered as active assets in the Public Accounts. These active assets are deducted from the total direct debt in arriving at the figure of net debt. During the fiscal year 1939-40, the net increase in active loans and investments was \$46,017,000 as compared with \$27,557,000 in 1938-39.

LOANS TO PROVINCES

31. Under authority of the annual Relief Acts, 1931 to 1935, inclusive, the Dominion had power to grant financial assistance to a provincial government by way of loan, advance or guarantee without limitation as to purpose or amount. Up to the close of the fiscal year 1935-36, loans had been granted to the four Western Provinces for purposes other than relief including the retirement of maturing provincial obligations, and, to a limited extent, ordinary provincial government expenditures. Since April 1, 1936, the Dominion's lending power has been limited to the making of loans only where necessary to enable a province to pay its share of expenditures pursuant to agreements with the Dominion entered into under authority of the relative Relief Act.

32. The total amount of loans advanced during the fiscal year 1939-40 was \$12,191,966, divided as follows:—

Manitoba.....	\$ 2,012,000
Saskatchewan.....	8,633,414
British Columbia.....	1,546,552

In addition the Dominion accepted Saskatchewan Treasury Bills to the net amount of \$1,614,335 in respect of certain interest accruals on previous relief loans which the Province was unable to pay in cash.

33. During the year repayments of loans were made to the amount of \$1,240,273 as follows:

Manitoba.....	\$ 129,507
Saskatchewan.....	1,057,068
Alberta.....	53,698

34. The following tables show the net loans made to each province during each fiscal year and a classification of such loans on the basis of the general purposes for which the loans were given:—

NET LOANS TO PROVINCES UNDER RELIEF ACTS BY FISCAL YEARS

	Manitoba	Saskatchewan	Alberta	British Columbia	Total
	\$	\$	\$	\$	\$
1931-32.....	2,788,812	10,934,341	4,097,740	4,813,124	22,634,017
1932-33.....	5,171,904	7,578,556	1,902,041	912,636	15,565,137
1933-34.....	2,273,283	5,469,240	4,050,743	1,321,761	13,115,027
1934-35.....	2,874,631	10,141,014	1,926,476	7,906,714	22,908,835
1935-36.....	2,396,226	14,245,478	13,104,000	12,558,445	42,304,149
1936-37.....	4,626,000	6,058,879	805,198	3,972,400	15,462,477
1937-38.....	2,959,188	11,604,787	193,000	1,541,636	16,298,611
1938-39.....	1,405,499	13,708,847	—	—129,506	14,984,840
1939-40.....	1,882,493	9,190,681	-53,698	1,546,552	12,566,028
	26,378,036	88,931,823	26,025,500	34,503,762	175,839,121
Less Write-off as provided by votes 392 and 393 of further supplementary estimates, 1936-37.....	804,897	17,682,158	—	—	18,487,055
Less Write-off Sask. Treas. Bills re 1934-35 Drought Area relief assumed by Dominion. (Principal \$1,250,000; Accrued int. previous yrs. \$123,979.81).....	—	1,373,980	—	—	1,373,980
	25,573,139	69,875,685	26,025,500	34,503,762	155,978,086

NET LOANS TO PROVINCES UNDER RELIEF ACTS CLASSIFIED AS TO PURPOSE

	Loans Specifically to meet Maturing Obligations and Interest	Loans Specifically for Agricultural Relief, Including Purchase of Seed Grain	Loans for Provincial Purposes Generally Including Direct Relief and Public Works	Total
	\$	\$	\$	\$
Manitoba.....	1,139,455	234,819	25,003,762	26,378,036
Saskatchewan.....	3,934,341	15,509,871	69,487,611	88,931,823
Alberta.....	8,577,000	3,149,050	14,299,450	26,025,500
British Columbia.....	9,818,845	—	24,684,917	34,503,762
	23,469,641	18,893,740	133,475,740	175,839,121
Less write-offs as shown in the preceding table; Manitoba \$804,897; Saskatchewan \$19,056,138				19,861,035
				155,978,086

CANADIAN NATIONAL RAILWAYS

35. In addition to paying the net income deficit of the Canadian National Railways, the Dominion made advances to the Railway for capital purposes amounting to \$22,979,000, classified as follows:

Under Canadian National Railways Financing and Guarantee Act, 1939 (capital expenditures and retirement of miscellaneous obligations).....	\$12,443,000
Under Canadian National Railways Refunding Act, 1938.....	9,761,000
Construction of Senneterre-Rouyn Branch Line.....	325,000
Purchase of Trans-Canada Air Lines Capital Stock.....	450,000
	<u>\$22,979,000</u>

A loan of \$1,500,000 made in the fiscal year 1938-39 in anticipation of the passing of the 1939 budget of the Railway Company was repaid in the fiscal year ended March 31, 1940.

The Dominion purchased under authority of the War Measures Act and the War Appropriation Act approximately \$15,000,000 of railway equipment for the Canadian National Railways. As of the close of the fiscal year, equipment to the amount of \$6,189,000 had been paid for and delivered. This equipment is being leased to the Railway Company under a hire-purchase agreement extending over a period of fifteen years.

The Railway Company paid the second instalment of \$517,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the Government in 1935-36 and 1936-37 at a cost of \$6,723,000 and leased to the Railway.

OTHER LOANS AND INVESTMENTS

36. During the fiscal year the Government purchased a further \$188,000 of the capital stock of the Canadian Farm Loan Board and an additional \$2,100,000 of the Board's 3½% bonds. Capital stock in the amount of \$11,000 was cancelled and written off. As at March 31, 1940, the total investment in the Canadian Farm Loan Board was \$36,695,000.

37. In the fiscal year under review, 4,936 loans were approved under the National Housing Act in the amount of \$21,924,000, bringing the total to March 31, 1940, to \$52,553,000. During the year, the Dominion's share of loans actually paid out, less repayments by borrowers, was \$4,393,000. The net amount of loans outstanding at the close of the fiscal year made under the authority of the National Housing Act and the Dominion Housing Act was \$9,805,000. Loans under the National Housing Act are made jointly by the Government and approved lending institutions and are secured by first mortgage or hypothec, running jointly to the Government and an approved lending institution. Loans are normally made not in excess of 80% of the cost or appraised value of the completed property, whichever is the lesser. However, in the case of owner-occupied houses where the lending value does not exceed \$2,500, a loan may be made up to 90% of the said lending value. Since January 1, 1940, new applications for loans are received only in respect of the construction of houses containing one self-contained dwelling place and where the loan does not exceed \$4,000.

38. To March 31, 1940, the Government has approved loans to the amount of \$5,272,000 under the Municipal Improvements Assistance Act, 1938, to municipalities to enable them to finance the construction of municipal self-liquidating projects. During the fiscal year under review, the amount actually paid out on such loans, less repayments, was \$3,111,000. These loans bear interest at the rate of 2% per annum and are amortized over a period not longer than the estimated useful life of the project. The province in which the municipality is located is required to guarantee the payments for interest on and amortization of each loan.

39. There was advanced during the year \$947,000 to the National Harbours Board for capital construction purposes at the ports of Montreal and Vancouver. As a considerable part of the interest accrued on the obligations issued by these two ports has been paid to the Government, these loans are carried as active assets on the books of the Dominion.

40. Loans to the Canadian Pacific Railway Company made in previous years for relief purposes were further reduced by \$211,000. In addition, the Railway Company paid the second instalment of \$441,000 under the terms of a hire-purchase agreement relating to certain equipment purchased by the Government in the fiscal years 1935-36 to 1937-38 at a cost of \$5,730,000 and leased to the railway. Under the authority of the War Measures Act and the War

Appropriation Act, the Dominion purchased approximately \$10,000,000 of railway equipment for the Canadian Pacific Railway Company. As at March 31, 1940, equipment to the amount of \$2,904,000 had been paid for and delivered. This equipment is being leased to the Railway Company under a hire-purchase agreement extending over a period of fifteen years.

41. The Government purchased capital stock of the Central Mortgage Bank to the amount of \$250,000. On November 13, 1939, it was announced that the Government had decided that the Central Mortgage Bank should not commence active operations for the time being. The existing state of war and the uncertainties regarding the effect which war might have on incomes and real estate values, made conditions so abnormal that the Government did not feel it would be practicable to make, with any degree of assurance, valuations that would provide an equitable and permanent basis for sound debtor-creditor relationships. There was the further consideration that the adjustments contemplated by the Act involved the use of the national credit on a substantial scale, and this also seemed undesirable in view of the very heavy present and prospective demands upon the national resources for war purposes.

42. There was advanced to the Canadian Broadcasting Corporation the sum of \$750,000 for capital construction, mainly for two transmitting stations located in the maritime and prairie provinces. The corporation repaid \$50,000 on account of a loan made in the fiscal year 1937-38.

43. During the fiscal year under review, the provinces of Manitoba, Nova Scotia and Prince Edward Island reduced by \$699,000 loans granted by the Dominion in the post-war period for house construction. Loans for Soldier and General Land Settlement were reduced by payments of \$1,116,000.

44. Investments in Sinking Funds amounted to \$4,189,000. Stocks of other loans amounting to \$6,987,000, held in the Sinking Fund of the 3½% 1930-50 Loan which was called for payment on April 17, 1940, were transferred to a bond holding account to be repurchased later for the Sinking Fund of other sterling issues. This resulted in Sinking Funds Account showing a net decrease for the year of \$2,798,000.

45. The following statement shows the net changes in active investments during the last fiscal year together with comparable figures for the four preceding years:

LOANS AND INVESTMENTS, ACTIVE
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Sinking Funds.....	3,636	3,646	3,843	4,336	Cr. 2,798
Canadian National Railways.....	3,689	4,573	Cr. 27,429	3,841	21,479
Canadian Pacific Railway.....	1,270	5,555	Cr. 211	Cr. 211	Cr. 211
Canadian Farm Loan Board.....	7,933	10,991	3,848	2,834	2,288
Dominion and National Housing Acts— Loans.....	82	995	1,678	2,657	4,393
Municipal Improvements Assistance Act, 1938—Loans.....	—	—	—	815	3,111
National Harbours Board.....	1,438	323	1,890	692	947
Provinces—under relief legislation.....	42,304	15,462	16,299	14,985	12,566
Provinces—Post War Housing Loans....	Cr. 3,003	Cr. 2,038	Cr. 1,422	Cr. 105	Cr. 699
Railway Equipment purchased.....	7,244	5,120	89	Cr. 1,399	8,135
Soldier and general land settlement.....	Cr. 566	Cr. 489	505	Cr. 749	Cr. 1,116
Roumanian Government.....	—	—	359	—	—
Bank of Canada—Capital Stock.....	—	5,100	—	820	—
Central Mortgage Bank—Capital Stock.....	—	—	—	—	250
Canadian Broadcasting Corporation....	—	—	500	Cr. 50	700
Canadian National (West Indies) Steam- ships.....	—	—	450	—	—
Net Advances.....	64,027	44,238	399	28,466	49,045

LOANS AND INVESTMENTS, ACTIVE—*Concluded*
(000 omitted)

	1935-36	1936-37	1937-38	1938-39	Estimated 1939-40
	\$	\$	\$	\$	\$
Less write-offs—					
Soldier and general land settlement loans.....	-488	-628	-750	-895	-1,643
Canadian Farm Loan Board—Capital Stock.....	—	-20	-10	-14	-11
Loans to Province of Saskatchewan—Drought Area Relief, 1934-35.....	—	—	—	—	-1,374
Write-down to non-active assets—Manitoba and Saskatchewan treasury bills.....	—	-18,487	—	—	—
Net change in active investments.....	63,539	25,103	Cr. 361	27,557	46,017

LOAN FLOTATIONS

46. In the fiscal year ended March 31, 1940, the Government issued obligations in the amount of \$657,793,471. All these issues were floated in the Canadian market. Maturing obligations in the amount of \$362,935,587 were redeemed out of the proceeds of the new issues, the remainder of the proceeds providing cash for the current purposes of Government.

47. The following table gives details of the amounts, terms and purposes of the new issues and the prices at which they were sold:

LOAN FLOTATIONS, 1939-40

Issue Date	Maturity Date	Interest Rate	Where Payable	Price		Yield at		Amount Issued	Issue Refunded	
				To Public	To Government*	Public Price	Price to Government		Amount	Interest Rate
1939		%		\$	\$	%	%	\$	\$	%
May 15..	May 15, 1942	1½	Canada	99-37½	98-77	1-72	1-92	95,500,000	{ 37,362,000 15,346,000 1,690,500	1 2 2½
May 15..	June 1, 1958	3	Canada	98-50	97-71	3-10	3-16	39,000,000	{ 30,101,500	4
July 1..	July 1, 1940	4	Canada (School Lands)	—	100-00	—	4-00	33,293,471	33,293,471	4
Oct. 16..	Oct. 16, 1941	2	Canada	—	100-00	—	2-00	200,000,000	{ 2,638,000 4,654,000 6,242,500 99,425,979†	1 2 2½ 3½
1940									17,168,000	4
Feb. 1..	Feb. 1, 1948-52	3½	Canada	100-00	99-216	3-27	3-36	250,000,000	75,013,637	3
Mar. 1..	Mar. 1, 1945	2	Canada	—	99-37½	—	2-13	40,000,000	40,000,000	
								657,793,471	362,935,587	
Total amount issued for refunding purposes.....								362,935,587		
Total amount issued to provide new cash.....								294,857,884		
								657,793,471		

* Price to public, less commissions to dealers.

† Amount outstanding of 1930-50 3½% Registered Stock called for redemption on April 17, 1940, less amount held in sinking fund, converted at \$4.86=£1.

48. During the fiscal year under review, the issue fortnightly of three months' treasury bills was continued. The last issue of treasury bills during the year ended March 31, 1940, was sold at a discount of .747 per cent. The average cost to the treasury of funds obtained from the twenty-three offerings during the year was a discount basis of .726 per cent. The amount of these

treasury bills outstanding at March 31, 1940, was \$155,000,000 unchanged from the total outstanding at the close of the previous fiscal year.

49. As at March 31, 1940, the average rate of interest on the Dominion's outstanding direct funded debt (including treasury bills) was 3.40 per cent, as compared with 3.52 per cent on March 31, 1939.

NATIONAL DEBT

50. At the close of the fiscal year there was outstanding unmatured funded debt (including treasury bills) of the Dominion in the amount of \$3,695,685,000. Of this total, securities in the amount of \$67,196,000 were held in the sinking funds against certain issues payable in London. The remaining amount, \$3,628,489,000, was outstanding in the hands of the public. Other liabilities, consisting chiefly of annuity, superannuation and insurance funds, Post Office Savings Bank deposits, and trust and contingent funds, were outstanding on the same date in an estimated aggregate amount of \$332,888,000. Without deducting sinking funds now shown as an asset, the gross liabilities of the Dominion totalled \$4,028,573,000. On the other side of its balance sheet, the Dominion had a five assets of \$757,593,000 representing cash on hand, sinking funds and active loans and investments. The net debt of the Dominion, the difference between the gross liabilities and the active assets, is therefore estimated at \$3,270,980,000. The increase over the same date last year amounted to \$118,421,000, namely, the amount of the over-all deficit for the fiscal year.

51. The following is a preliminary statement showing the liabilities and assets of the Dominion as estimated at March 31, 1940:—

LIABILITIES—MARCH 31, 1940

(estimated)

Bank Circulation Redemption Fund.....	\$	5,054,000
Post Office Money Orders, Postal Notes, etc., outstanding.....		2,787,000
Post Office Savings Bank deposits.....		23,100,000
Insurance and Superannuation Funds—		
Government Annuities.....	\$	140,042,000
Insurance Fund—Civil Service.....		13,336,000
Insurance Fund—Returned Soldiers.....		18,683,000
Retirement Fund.....		9,827,000
Superannuation Funds.....		60,887,000
		<hr/> 242,775,000
Trust Funds—		
Indian Funds.....		14,298,000
Charities and School Funds.....		2,677,000
Contractors' Securities Deposits.....		2,114,000
Other Trust Funds.....		3,126,000
		<hr/> 22,215,000
Contingent and Special Funds.....		4,312,000
Province Debt Accounts.....		11,920,000
Funded Debt and Treasury Bills unmatured.....		3,695,685,000
Floating Debt—		
Funded Debt matured and outstanding.....		2,465,000
Interest due on floating debt.....		1,981,000
Outstanding cheques.....		16,279,000
		<hr/> 3,716,410,000
		<hr/> <u>\$4,028,573,000</u>

ASSETS—MARCH 31, 1940

(estimated)

Active Assets—		
Cash, working capital advances and other current assets.....	\$	180,742,000
Sinking Funds.....		67,196,000
Bank of Canada Capital Stock.....		5,900,000
Central Mortgage Bank Capital Stock.....		250,000
Canadian Broadcasting Corporation—Loan.....		1,150,000
Canadian National (West Indies) Steamships, Ltd.—Loan.....		450,000
Dominion and National Housing Acts—Loans.....		9,805,000
Municipal Improvements Assistance Act, 1939—Loans.....		3,926,000
Loans to Provinces—		
Post War Housing Loans.....	\$	2,504,000
Unemployment Relief Loans.....		155,978,000
Alberta—Subsidy Overpayment.....		469,000
		<hr/> 158,951,000

ASSETS—MARCH 31, 1940—*Concluded*

(estimated)		
Loans to National Harbours Board—		
Montreal.....	61,698,000	
Vancouver.....	25,032,000	
		86,730,000
New Westminster Harbour Commission—Loan.....		275,000
Canadian Farm Loan Board—Advances and Capital Stock.....		36,695,000
Railway Accounts—		
Canadian National Railways—		
Advances—Financing and Guarantee Act, 1938.....	1,717,000	
Advances—Refunding Act, 1938.....	24,689,000	
Advances—Financing and Guarantee Act, 1939.....	12,443,000	
Senneterre-Rouyn Railway Line.....	639,000	
Trans-Canada Air Lines.....	550,000	
		40,038,000
Canadian Pacific Railway—		
Loan for betterment or repair of railway equipment.....	970,000	
Loan for wages on special works program.....	222,000	
		1,192,000
Purchase of equipment leased to—		
Canadian National Railways.....	11,878,000	
Canadian Pacific Railway.....	7,311,000	
		19,189,000
Loans to Foreign Governments—		
Greece.....	6,525,000	
Roumania.....	24,329,000	
		30,854,000
Soldier and General Land Settlement Loans.....		37,830,000
Seed Grain and Relief Advances.....		2,434,000
Canadian Government Railways Working Capital.....		16,772,000
Bond Holding Account.....		6,657,000
Province Debt Accounts.....		2,296,000
Deferred Debits—		
Unamortized discount and commission on loans.....		42,075,000
		\$ 757,593,000
Net Debt, March 31, 1940 (estimated).....		\$3,270,980,000
Net Debt represented by—		
A. Expenditure and non-active assets (estimated) March 31, 1940.		
Capital Expenditures—		
Public Works—		
Canals.....	\$ 240,316,000	
Railways.....	429,587,000	
Public Buildings, harbour and river improvements.....	299,029,000	
Military property and stores.....	12,059,000	
Territorial Accounts.....	9,896,000	
		\$ 990,885,000
Loans, non-active—		
Canadian National Railways Securities Trust Stock.....		264,013,000
Canadian National Railways Stock.....		18,000,000
Canadian National Steamships.....		13,872,000
Canadian Pacific Railway (old).....		62,791,000
National Harbours Board—		
Quebec.....	\$ 27,365,000	
Chicoutimi.....	3,838,000	
Churchill.....	9,000	
Halifax.....	12,291,000	
Saint John.....	16,448,000	
Three Rivers.....	3,743,000	
Montreal (Jacques Cartier Bridge).....	4,049,000	
		67,743,000
Seed Grain and Relief Advances.....		450,000
Soldier and General Land Settlement.....		16,526,000
Saskatchewan Seed Grain Loans Guarantee Act, 1936.....		2,638,000
Miscellaneous Advances.....		3,536,000
B. Consolidated Fund—		
Balance, consolidated fund brought forward from Mar. 31, 1939....	1,702,494,000	
Excess of expenditure over revenue, fiscal year ended Mar. 31, 1940 (estimated).....	128,032,000	
		1,830,526,000
		\$3,270,980,000

52. The following table gives a statement of the unmatured funded debt (including treasury bills) of the Dominion outstanding as at March 31, 1940 and the annual interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31,
1940, AND ANNUAL INTEREST CHARGES

Date of Maturity	Rate per cent	Where Payable	Amount of Loan		Annual Interest Charges	
			\$	cts.	\$	cts.
1940, June 1	1½	Canada	80,000,000	00	1,200,000	00
July 1	4	Canada	33,293,470	85	1,331,738	83
Sept. 1	4½	Canada	75,000,000	00	3,375,000	00
1941, Mar. 15	1	Canada	45,000,000	00	450,000	00
May 1	1¼	New York	20,000,000	00	250,000	00
Oct. 16	2	Canada	200,000,000	00	4,000,000	00
Nov. 15	5	Canada	141,663,000	00	7,083,150	00
1942, May 15	1½	Canada	95,500,000	00	1,432,500	00
June 1	2	Canada	60,000,000	00	1,200,000	00
Oct. 15	3	Canada	40,409,000	00	1,212,270	00
1943, June 1	2½	Canada	20,000,000	00	500,000	00
Oct. 15	5	Canada	147,000,100	00	7,350,005	00
1944, Jan. 15	2¼	New York	30,000,000	00	675,000	00
June 1	2	Canada	90,625,000	00	1,812,500	00
Oct. 15	4½	Canada	50,000,000	00	2,250,000	00
Nov. 15	2½	Canada	20,000,000	00	500,000	00
1945, Mar. 1	2	Canada	40,000,000	00	800,000	00
Aug. 15	2½	New York	76,000,000	00	1,900,000	00
Oct. 15	4	Canada	88,337,500	00	3,533,500	00
1946, Feb. 1	4½	Canada	45,000,000	00	2,025,000	00
1947, Oct. 1	2½	London	4,888,185	64	122,204	64
1948, Feb. 1	3¼	Canada	50,000,000	00	1,625,000	00
1949, Feb. 1	3¼	Canada	50,000,000	00	1,625,000	00
June 1	3½	Canada	33,500,000	00	1,088,750	00
Oct. 15	3½	Canada	138,322,000	00	4,841,270	00
1950, Feb. 1	3¼	Canada	50,000,000	00	1,625,000	00
July 1	3½	London	*52,763,135	43	1,846,709	74
1951, Feb. 1	3½	Canada	50,000,000	00	1,625,000	00
Nov. 15	3¼	Canada	60,000,000	00	1,950,000	00
1952, Feb. 1	3½	Canada	50,000,000	00	1,625,000	00
May 1	5	New York	100,000,000	00	5,000,000	00
Oct. 15	4	Canada	56,191,000	00	2,247,640	00
1955, May 1	3¼	London	43,666,666	67	1,581,666	67
June 1	3	Canada	40,000,000	00	1,200,000	00
June 1	3	Canada	55,000,000	00	1,650,000	00
1956, Nov. 1	4½	Canada	43,125,700	00	1,940,656	50
1957, Nov. 1	4½	Canada	37,523,200	00	1,688,544	00
1958, June 1	3	Canada	88,200,000	00	2,646,000	00
Sept. 1	4	London	73,000,000	00	2,920,000	00
Nov. 1	4½	Canada	276,687,600	00	12,450,942	00
1959, Nov. 1	4½	Canada	289,693,300	00	13,036,198	50
1960, Oct. 1	4	London	93,926,666	66	3,757,066	67
Oct. 1	4	New York	100,000,000	00	4,000,000	00
1961, Jan. 15	3¼	New York	48,000,000	00	1,560,000	00
1963, July 1	3½	London	48,666,666	66	1,581,666	67
1966, June 1	3½	Canada	54,703,000	00	1,777,847	50
Perpetual	3	Canada	55,000,000	00	1,650,000	00
1967, Jan. 15	3	New York	55,000,000	00	1,650,000	00
1968, Nov. 15	3	New York	40,000,000	00	1,200,000	00
Treasury Bills due April 1, 1940	.788	Canada	25,000,000	00	197,000	00
Treasury Bills due April 15, 1940	.784	Canada	30,000,000	00	235,200	00
Treasury Bills due May 1, 1940	.752	Canada	25,000,000	00	188,000	00
Treasury Bills due May 15, 1940	.746	Canada	25,000,000	00	186,500	00
Treasury Bills due May 31, 1940	.751	Canada	25,000,000	00	187,750	00
Treasury Bills due June 14, 1940	.747	Canada	25,000,000	00	186,750	00
			3,695,685,191	91	125,574,026	72
Payable in Canada			2,904,773,870	85	78.60%	
Payable in New York			469,000,000	00	12.69%	
Payable in London			321,911,321	06	8.71%	
			3,695,685,191	91	100%	

* Called for payment April 17, 1940.

INDIRECT LIABILITIES

53. Bonds and debenture stocks bearing the guarantee of the Dominion outstanding in the hands of the public at March 31, 1940, amounted to \$1,084,479,000, a decrease of \$987,000 during the fiscal year.

54. There were also outstanding on March 31, 1940, other contingent liabilities arising out of guarantees given under Relief and Seed Grain legislation and other Acts. There were no new guarantees incurred during the last fiscal year.

During the fiscal year under review an amount of \$52,000,000 was advanced without interest to the Canadian Wheat Board to enable the Board to pay off guaranteed bank advances with respect to the marketing of the 1938 Wheat Crop. The guaranteed bank loans to the Board outstanding at the close of the fiscal year amounted to \$42,998,000. This amount constituted the Board's gross liability to the banks at the close of the fiscal year and mainly related to the purchase of the 1939 Wheat Crop at the fixed price of 70 cents per bushel No. 1 Northern, Fort William. The guarantee of the Dominion to the Winnipeg Grain and Produce Clearing Association Limited, referred to in previous budgets, is still outstanding. No liability accrues from day to day in connection with the guarantee as margin deposits are made to the Clearing Association daily.

At March 31, 1940, 102,365 Home Improvement Loans had been made by banks and approved lending institutions to home owners in the amount of \$41,110,000. Repayments to the same date on account of these loans amounted to \$24,068,000, or over 58 per cent of the total amount of loans made. The Dominion's contingent liability arising out of these loans is limited to 15 per cent of the aggregate of such loans made by each approved lending institution. As 288 loss claims for \$86,922 have been paid, the maximum contingent liability as at March 31, 1940, was \$6,079,595. In terms of dollar losses to total volume of loans, this loss ratio is only approximately $\frac{1}{5}$ of 1 per cent.

Under the Dominion Housing Act, 1935, and the National Housing Act, 1938, the Dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities.

The manner in which losses in respect of any loan are to be borne by the Dominion and the lending institution is fixed by the contract. The general principle is that the Dominion bears two-thirds of the loss if at the time the loss is sustained the principal amount of the loan repaid, less any other amounts due, is equal to or less than the amount advanced by the Dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the Dominion. In the case of small loans (that is, for amounts not in excess of \$4,000 in the case of a single dwelling place or not in excess of \$700 per habitable room in the case of a multiple family dwelling), the share of the loss to be borne by the Dominion is not more than 80 per cent and not less than 50 per cent of the loss. The above provisions apply to loans made under both the present National Housing Act and its predecessor, the Dominion Housing Act. Under the National Housing Act a new provision has been added to encourage the making of small loans in such small or remote communities and in such districts of other communities as may be designated by the Minister of Finance in any contract. In respect of such loans, the Dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent and do not exceed 25 per cent of the total amount of such loans made in such areas by the lending institution.

Order in Council, dated December 5, 1939, provided that after January 1, 1940, applications would be received only for loans for the construction of houses containing one self-contained dwelling place and where the loan does not exceed \$4,000.

Loans to the number of 15,054 had been approved at March 31, 1940, under the Dominion Housing Act, 1935, and the National Housing Act, 1938, and in the amount of \$52,553,000. No losses had been realized by the Dominion as of that date.

55. The following is a statement of bonds and debenture stocks and other indebtedness guaranteed by the Dominion outstanding as at March 31, 1940:

**BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION
GOVERNMENT AS AT MARCH 31, 1940**

Date of Maturity	Issue	Interest Rate	Amount Outstanding
		%	\$
Jan. 15, 1942	Canadian National	2	20,000,000 00
Feb. 15, 1943	Canadian National	2	55,000,000 00
Feb. 1, 1944	Canadian National	2½	15,500,000 00
May 1, 1944	Canadian National	3	35,000,000 00
Jan. 15, 1945	Canadian National	2½	15,000,000 00
July 1, 1946	Canadian Northern	6½	24,238,000 00
April 1, 1948	New Westminster Harbour Commissioners	4½	700,000 00
Dec. 15, 1950	Canadian National	3	50,500,000 00
Sept. 1, 1951	Canadian National	4½	50,000,000 00
Feb. 1, 1952	Canadian National	3	20,000,000 00
Aug. 1, 1952	Saint John Harbour Commissioners	5	667,953 04
Feb. 15, 1953	Canadian National	3	25,000,000 00
July 10, 1953	Canadian Northern	3	9,359,996 72
Feb. 1, 1954	Canadian National	5	50,000,000 00
Mar. 1, 1955	Canadian National (West Indies) Steamships Limited	5	9,400,000 00
June 15, 1955	Canadian National	4½	50,000,000 00
Feb. 1, 1956	Canadian National	4½	70,000,000 00
July 1, 1957	Canadian National	4½	65,000,000 00
July 20, 1958	Canadian Northern	3½	7,896,541 81
Jan. 15, 1959	Canadian National	3	35,000,000 00
May 4, 1960	Canadian Northern Alberta	3½	3,149,998 66
May 19, 1961	Canadian Northern Ontario	3½	34,229,996 87
Jan. 1, 1962	Grand Trunk Pacific	3	34,992,000 00
Jan. 1, 1962	Grand Trunk Pacific	4	8,440,848 00
July 1, 1969	Canadian National	5	60,000,000 00
Oct. 1, 1969	Canadian National	5	60,000,000 00
Nov. 1, 1969	Harbour Commissioners of Montreal	5	19,000,000 00
Feb. 1, 1970	Canadian National	5	18,000,000 00
By drawings	Canadian National	2	21,401,371 07
Various dates			
1949-51	City of Saint John Debentures assumed by Saint John Harbour Commissioners	Various	795,384 78
Perpetual	Grand Trunk Guaranteed Stock	4	60,833,333 33
do	Grand Trunk Debenture Stock	5	20,782,491 67
do	Great Western Debenture Stock	5	13,252,322 67
do	Grand Trunk Debenture Stock	4	119,839,014 33
do	Northern Railway of Canada Debenture Stock	4	1,499,979 67
			\$ 1,084,479,232 62

OTHER LIABILITIES GUARANTEED

	Principal Amount Outstanding Mar. 31, 1940
Bank Advances, re Province of Manitoba Savings Office	6,491,173
Bank Advances, re Government of Newfoundland	625,000
Province of Manitoba Treasury Bill	4,800,266
Province of British Columbia Treasury Bill	626,534
Bank Advances, re Canadian Wheat Board	42,993,100
Winnipeg Grain and Produce Clearing Association, Ltd. Day to day margins of the Canadian Wheat Board (closed out daily)	—
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1937..	6,891,858
Bank Advances guaranteed under Seed Grain Loans Guarantee Act, 1938..	not determined
Loans made by approved lending institutions under Dominion Housing Act, 1935 and National Housing Act, 1938	indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1935	6,079,595
Deposits maintained by the chartered banks in the Bank of Canada	202,324,405

B. REVIEW OF ECONOMIC AND FINANCIAL CONDITIONS, 1939-40

1. The following tables and related paragraphs present a comprehensive survey of general economic conditions in Canada during the past year. For purposes of comparison figures for certain earlier years are also provided, and in the case of the more important factors statistics on a monthly basis are given covering the last two fiscal years.

The figures used throughout are those published by the Dominion Bureau of Statistics, unless otherwise indicated. Where an index or average figure is given for a fiscal, rather than a calendar year, it represents an average of the monthly data during the period concerned. All indexes shown as based on the year 1926 are to be construed as based on the calendar year 1926, and not the fiscal year.

A change this year in the method of compiling trade statistics at the end of the fiscal year has artificially decreased the March trade figures and artificially increased those of April, so that a valid comparison of either month with the same month in any previous year has been made impossible. This change not only affected directly the comparability of the trade statistics but influenced indirectly as well the index of the physical volume of business, many of the components of which utilize imports and exports of certain commodities as indicators of current business activity. To facilitate an accurate comparison of recent trends, therefore, in the following tables the figures for March and April of both the current and the preceding year have been averaged throughout, in the case not only of factors affected by the trade statistics, but, in order to provide comparable data, of other factors as well. In the text this average will be termed the March-April figure.

In the case of averages for the fiscal year ended March 31, 1940, no attempt has been made to adjust the March figures which have been artificially lowered by the change in the trade statistics, so that in all statistics affected by trade figures the average for the last fiscal year is slightly lower than it would have been if calculated on a basis comparable with previous years. This artificial reduction might amount to about one, two or three per cent in the annual figures.

CANADIAN ECONOMIC CONDITIONS SUMMARY TABLES

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Group I.—Comprehensive Indexes (1926=100)									
Physical volume of business.....	101.9	122.1	74.8	115.2	120.8	113.8	126.9	114.9	137.0
Volume of manufacturing.....	101.1	117.5	70.8	117.6	119.8	108.4	123.6	108.5	132.8
Mining.....	103.0	121.1	104.2	166.5	196.0	194.8	217.6	208.1	252.2
Forestry.....	99.7	104.3	64.2	131.8	130.3	106.5	123.6	115.3	135.5
Carloadings.....	102.6	112.5	63.8	77.9	79.9	72.8	80.5	70.5	79.0
Electric power output.....	104.7	136.6	132.4	218.0	220.9	220.9	239.9	229.7	243.0
Employment.....	100.8	113.7	84.4	104.4	115.7	110.8	115.8	111.0	118.3
National income†.....	100.0	114.3	64.4	85.1	97.3	94.1	101.9	.....	.....
Dollar value of retail sales† (1930=100).....	93.2	110.1	66.8	74.0	78.6	77.5	79.8	.....	.....
Group II.—Price Levels and Financial Factors (1926=100)									
Wholesale prices.....	98.8	95.8	65.5	77.2	84.6	76.0	77.8	73.3	83.2
Farm Product Prices.....	99.1	99.1	46.3	75.6	86.3	68.6	65.8	65.3	71.7
Cost of living.....	99.6	98.9	79.9	81.2	83.6	83.9	84.1	83.1	85.6
Common stock prices.....	101.8	173.3	52.1	125.5	117.6	103.8	99.4	99.9	98.0
Dominion Government bond prices.....	100.4	102.4	100.8	117.9	115.2	118.1	115.1	119.2	114.4
Dividend payments.....	101.8	123.7	79.9	112.9	139.0	143.4	129.2	136.1	124.7
Bank deposits.....	101.0	116.1	98.5	116.4	122.1	127.0	137.7	129.9	140.1
Active currency circulation.....	101.0	105.4	75.9	102.3	111.1	113.4	126.7	114.5	137.4

†Nearest calendar year.

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Group III.—Gross Value of Production in Major Industries						
			(Millions of Dollars)			
Agriculture.....	1,714.5	1,806.0	766.8	1,039.5	1,062.6	1,170.9*
Forestry.....	555.8	586.2	349.3	494.3	425.0	484.8*
Fisheries.....	73.1	70.7	33.7	51.2	53.2	55.8*
Mining (inc. Smelting).....	276.5	313.1	265.0	662.6	653.8	685.3*
Construction.....	385.9	488.4	132.9	351.9	353.2	354.9*
Manufacturing.....	3,100.6	3,582.3	1,980.5	3,623.5	3,337.7	3,613.8*
Group IV.—Foreign Trade and International Transactions†						
Merchandise exports (all gold excluded).....	1,276.6	1,363.6	497.9	1,012.1	848.7	935.9
Net exports of non-monetary gold†.....	30.4	40.1	70.0	145.1	160.5	184.4
Total exports, including non-monetary gold.....	1,307.0	1,403.7	567.9	1,157.2	1,009.2	1,120.3
Merchandise imports (all gold excluded).....	1,008.3	1,222.3	452.6	808.9	677.5	751.0
Total trade.....	2,315.3	2,626.0	1,020.5	1,966.1	1,686.7	1,871.3
Export balance.....	+298.7	+181.4	+115.3	+348.3	+331.7	+369.3
Net tourist receipts.....	102.5	167.7	155.0	166.2	159.9	166.0
Net interest and dividend payments going abroad.....	201.0	221.0	261.8	246.2	251.0	260.8
Net capital export (direct estimate).....	††	82.0	11.4	198.8	135.0	162.1

* Preliminary estimate. Certain of these figures have not yet appeared in official publications, or represent revisions of previously published figures.

† It should be noted that the export and import figures given in the table above, which have been compiled from official trade returns, differ slightly from the adjusted figures used in making up the Balance of International Payments. In the remaining part of the table certain less important items in the Balance of Payments have not been detailed.

† Adjusted for unmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

†† Not available.

PHYSICAL VOLUME OF BUSINESS

2. The index for the physical volume of business in Canada is the most comprehensive single measure of the level of general economic and business activity. It is made up by the Dominion Bureau of Statistics from 46 constituent items weighted according to their relative importance in the economy as a whole, and is adjusted for seasonal fluctuations. Included in the making of this index are such items as mineral production, manufacturing in its chief branches, construction, electric power output, trade employment, carloadings, imports and exports. Agricultural production as such does not find a place in this index, nor do fishing and lumbering as primary activities, but the processing of and trade in the products of these industries is reflected in the index. Correction is made, where necessary, for changes in the price factor in order that the index shall properly record only changes in the *physical* volume of business done. 1926 is taken as the base year. Following are presented the index numbers for each fiscal year since 1927 and the index for each month in the last two fiscal years.

INDEX OF PHYSICAL VOLUME OF BUSINESS

(1926=100)

Fiscal Years ended March 31													
1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
101.9	108.0	122.1	122.0	105.4	89.3	74.8	84.9	96.4	104.4	115.2	120.8	113.8	126.9

MONTHLY INDEX*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	112.4	110.7	108.4	109.1	110.5	119.2	118.6	123.4	115.6	113.0	111.7	114.9
1939-40.....	116.7	121.4	121.4	120.5	125.2	125.8	133.1	133.0	133.3	138.6	131.2	137.0

* Seasonally adjusted.

The recovery from the depressed level of business activity of 1938 which had become evident in the early months of 1939 continued throughout the year and was accelerated by the outbreak of war in September. Each month in the past fiscal year was considerably above the corresponding month in the year previous, and the average for 1939-40 of 126.9 was about 11.5% above that of 1938-39. The March-April figure for 1940 was 19.2% higher than that for 1939, and has only been exceeded in one month in 1929, and in January of this year.

It may be of interest to compare this expansion of 19.2% in the physical volume of business with the expansion in employment in all industries of about 6.6% between March-April, 1939, and March-April, 1940. This suggests that the increased production has been achieved in considerable degree by a reduction in part-time work.

AGRICULTURE

3. The gross value of agricultural production in 1939 increased by about 10% over the previous year and reached the highest level since 1930. In general, it was a year of good crops, but of low prices. The wheat crop of 490 million bushels was the second largest in our history. In quality it was about normal, though relatively highly concentrated in No. 1 Northern grade. The area of poor crops

was very much reduced from preceding years. The average price received by the farmer at the farm for his 1939 wheat, up to December 31, has been estimated at 52c. a bushel compared with a revised figure of 59c. for the 1938 crop.

One of the most outstanding features of Canadian agriculture in the past year has been the great increase in hog production and marketings since the summer of 1939. Hog marketings in the eight months from September to April amounted to 3,213,373 compared with 2,244,765 in the eight months a year before. Indications are that hog production and marketings in 1940 will be the largest recorded in the history of the industry. Hog prices declined during the spring of 1939, and during the summer months were lower than in the previous two years. They rose during the fall months and were fairly well stabilized during the first three months of this year under the operation of the Bacon Agreement with the United Kingdom, but they have weakened in recent months as a surplus of hog products has accumulated, and in April were below the levels of the past three years.

Among the branches of agriculture most affected by the war is that of apple production, since exports of apples to British and foreign markets have been severely curtailed. The apple crop of 1939 was a very large one, exceeded only by 1933 in the last fourteen years, but the average value received per unit fell to a level lower than that for any year of the same period and, consequently, the total value of the crop was much below that of recent years. The Dominion Government provided assistance in the marketing of the apple crop, including special arrangements for processing apples in Nova Scotia which is more dependent than other regions upon the export market.

It will be noted in the table below that the general index of farm prices in March-April of 1940 had increased by about 10% over the level of a year before.

GROSS VALUE OF AGRICULTURAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939*
<i>All Agricultural Production</i>	1,714.5	1,806.0	766.8	1,039.5	1,062.6	1,170.9
Wheat.....	442.2	451.2	154.8	184.7	211.3	252.8
All other field crops.....	662.8	673.8	297.7	371.5	338.8	381.3
Dairy products.....	277.3	297.6	159.1	215.6	226.2	217.7
Live stock.....	178.4	197.9	65.2	141.0	136.8	170.8
Poultry and eggs.....	83.6	106.7	42.1	51.8	53.7	55.5
Fruit and vegetables.....	43.1	48.8	32.2	41.8	57.1	55.9
Tobacco.....	7.4	6.8	6.1	17.1	20.3	19.2
All other agriculture.....	19.7	23.2	9.6	16.0	18.4	17.7

* Subject to revision.

GENERAL INDEX OF FARM PRICES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	82.5	77.3	76.6	71.4	64.1	63.8	63.8	64.9	64.6	64.8	64.7	65.3
1939-40	65.5	65.2	63.3	62.7	58.4	64.2	64.5	65.1	69.1	70.0	70.3	71.7

* Seasonally adjusted.

MINING

4. The past year has seen production and employment in the mineral industry expand to new record levels. Gold mining continues to be the largest element and the volume of gold produced in the fiscal year 1939-40 showed an increase of about 5.8% over the previous year, while the value of the production has, of course, been increased since September by the higher price received in Canadian dollars. Production of copper, nickel and zinc was larger in each case than in any previous year, but the value of this production was not as great as in 1937 because prices were lower than in that year. Contracts were made between the major Canadian base metal producers and the United Kingdom Ministry of Supply, providing for the sale of the bulk of the Canadian export surplus of copper, lead and zinc at prices approximately equal to those prevailing immediately before the outbreak of war.

Iron ore production commenced again in Canada in 1939 after a lapse of 16 years. Development is also proceeding rapidly to bring into production the high grade iron ore deposit at Steep Rock Lake.

Petroleum production in Alberta continued to expand though subject to pro-rationing because of the limited market available in the Western Provinces. 34 new wells were brought into production in Turner Valley in 1939. Coal production in 1939 was also increased by 8.6% over the previous year, most of the increase occurring in Nova Scotia, and in the first four months of this year production shows an increase of 26½% over the same months of last year.

Employment in mining continued to expand despite a slight set-back during the early winter. The March-April figure this year shows an increase of 4.2% over that of a year ago.

VALUE OF MINERAL PRODUCTION

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939†
<i>Value of All Minerals.....</i>	240.4	275.0	191.2	457.4	441.8	473.1
Gold.....	36.3	39.1	71.5	143.3	166.2	184.1
Copper.....	17.5	28.6	15.3	68.9	56.6	60.9
Nickel.....	14.4	22.3	7.2	59.5	53.9	50.9
Lead.....	19.2	15.6	5.4	21.1	14.0	12.3
Zinc.....	11.1	10.1	4.1	18.2	11.7	12.1
Silver.....	13.9	12.8	5.8	10.3	9.7	9.4
Coal.....	59.9	63.8	37.1	48.8	44.0	48.3
Petroleum.....	1.3	2.0	3.0	5.4	9.2	10.4
All others.....	66.8	80.7	41.8	81.9	76.5	84.7

† Preliminary.

PHYSICAL VOLUME OF MINERAL PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. A.v.
1938-39.....	212.7	199.4	176.6	192.1	198.6	202.1	201.4	206.6	183.1	176.8	190.9	208.1
1939-40.....	219.6	232.7	228.9	238.5	233.2	223.2	194.2	236.7	202.4	215.6	200.9	252.2

* Seasonally adjusted.

EMPLOYMENT IN MINING

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	156.6	155.0	156.7	156.7	154.4	156.2	156.4	153.5	157.2	159.1	160.7	163.3
1939-40	162.9	161.3	164.1	166.4	166.4	166.7	165.7	163.8	164.9	163.4	168.6	170.1

* Seasonally adjusted as at first of month.

FORESTRY

5. The volume and value of forestry production in the past fiscal year, and in the calendar year 1939, have shown substantial increases over the preceding year. This was true for some months before the outbreak of war, as well as after it.

Newsprint production has increased markedly during the war period due to a greater demand in the United States and to the shutting off of Scandinavian supplies from world markets. In the first eight months of war newsprint production was 15.3% above the same period a year before, and for May the industry reports production of 323,563 tons, which is a new high record, and 29.6% above May of last year.

Lumber production has also been stimulated by wartime requirements, though not as yet to the same degree as newsprint production. Lumbering in Eastern Canada has been favoured relatively to that in British Columbia due to the greater availability of Atlantic shipping for export. About 10% more lumber was scaled in British Columbia from September to April than in the same period in the previous year. The index of lumber and timber prices during the war period has averaged about 12% above the year before.

It will be noted in the table below that improved employment in logging reflects the much better market for forestry products in the past year.

FORESTRY PRODUCTS

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of All Forestry Products.....	555.8	586.2	349.3	494.3	425.0	484.8†
Newsprint (in above).....	121.1	144.1	85.5	126.4	107.1	120.0†
Planks and boards exported.....	61.9	47.7	12.6	45.4	35.9	48.8
Wood pulp exported.....	52.1	45.6	18.9	41.8	27.7	31.0

† Preliminary.

PHYSICAL VOLUME OF FORESTRY PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	100.4	91.9	96.7	101.4	102.2	110.2	107.1	112.8	111.7	120.7	111.6	115.3
1939-40	120.2	112.6	120.6	114.2	126.4	130.7	139.3	128.7	127.6	142.4	125.4	135.5

* Seasonally adjusted.

LOGGING EMPLOYMENT

Monthly Index*
(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	146.1	135.8	121.9	121.1	90.4	89.5	91.0	105.3	114.8	103.9	98.4	84.4
1939-40.....	81.3	71.0	126.4	134.0	111.5	92.1	133.5	166.2	181.9	164.1	156.4	129.2

* Seasonally adjusted index as at first of month.

FISHERIES

6. The Atlantic deep sea catch in 1939 was about 5% greater than in 1938, but prices were lower due to a slackening in European demand so that the value of the catch was only about 2½% higher. So far in 1940 events in Europe have kept changing the market situation, but during the early months of the year prices have been slightly higher than before the war. The normal export market for canned lobster has now been cut off by war restrictions and the Dominion Government has made provision for assisting in the disposal of the lobster catch. The British Columbia salmon pack in 1939 was somewhat smaller than the year before and of lower quality, but it was all marketed despite the war at somewhat higher prices than in the preceding year. The halibut catch this spring has been larger than last year, and prices received are slightly better.

FISHERIES

(Millions of Dollars)

	Calendar Years					
	1926	1928	1932	1937	1938	1939
Gross Value of Production.....	73.1	70.7	33.7	51.2	53.2	55.8†
Salmon marketed (in above).....	19.6	17.9	8.0	12.3	15.0	15.3†
Value of fish exported.....	36.0	36.3	18.5	28.0	25.6	28.0

†Preliminary.

MANUFACTURING

7. Production and employment in manufacturing have shown a substantial and general increase during the past fiscal year, and the average level of the production index for the year as a whole was higher than any year in the past. Activity in manufacturing increased very quickly after the outbreak of war, apparently reached an all-time peak in January and then receded slightly in the next two or three months. Unofficial information indicates that the expansion was resumed in May. The March-April figures for 1940 compared with those for 1939 show an expansion of 22.4% in production and 14.9% in employment in manufacturing as a whole.

Among the various manufacturing industries the most marked expansion has taken place in textiles for which the production index in March-April this year was more than double that of a year before. Many textile factories are now reported to be working at capacity. Steel production shows an expansion during the year of nearly 60%. Much of this increase took place before the outbreak of war but was due in part to British armament demands. The expansion in food manufacturing reflects in part the increased exports of flour and bacon and also the increased domestic consumption of foodstuffs such as that of sugar.

Production in the automobile industry showed little change for the last fiscal year as a whole compared with the preceding one, and the figures for March-April are only about 5% above those a year before. Restrictions imposed in export markets have offset the increased domestic sales of cars and the military demand for motor transports. Since the middle of March the Canadian automobile industry has received a number of substantial orders for military vehicles, however, and production in May reached a figure which was some 35% above May of last year and represented the largest volume in any month since June, 1937.

INDEXES OF PHYSICAL VOLUME OF MANUFACTURING*

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
MANUFACTURING OF ALL KINDS.....	101.1	117.5	70.8	117.6	119.8	108.4	125.6	108.5	132.8
<i>Selected Industries—</i>									
Foodstuffs.....	100.0	97.1	83.4	105.8	101.8	102.2	117.0	105.7	128.0
Tobacco.....	102.3	138.2	107.1	153.9	178.3	178.1	189.1	176.9	205.1
Boots and shoes.....	101.5	97.7	84.0	108.4	114.2	110.3	135.8	108.6	119.7
Textiles.....	101.6	103.4	71.9	123.3	128.4	108.9	152.7	104.9	226.3
Steel production.....	104.5	169.0	40.4	150.8	178.2	139.1	206.7	134.2	213.4
Automobile production.....	100.7	145.2	26.9	98.8	93.1	77.2	79.1	70.2	73.6
Crude petroleum (imports).....	104.7	146.6	138.4	208.1	221.3	207.3	217.3	183.4	186.0

*Seasonally adjusted.

PHYSICAL VOLUME OF MANUFACTURING PRODUCTION

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	103.2	104.7	103.5	101.3	100.9	114.2	113.2	125.3	111.3	111.1	105.0	108.5
1939-40.....	109.5	113.3	112.9	112.3	116.5	121.3	143.7	136.9	136.9	146.8	134.2	132.8

* Seasonally adjusted.

EMPLOYMENT IN MANUFACTURING

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	111.7	109.7	110.2	109.5	107.5	110.6	109.0	109.9	111.3	111.3	110.0	108.6
1939-40.....	108.0	107.5	109.4	109.1	110.3	112.1	116.0	121.0	123.6	126.1	125.0	124.8

* Seasonally adjusted as at first of month.

CONSTRUCTION

8. Total construction during the fiscal year 1939-40, as indicated by contracts awarded, showed a small increase over the preceding year. This increase appeared both in residential and in other construction. In the period May to August preceding the war there was evidence of a recovery in private construction, both residential and business, and total contracts in this period had recovered half the ground lost in the recession from 1937 to 1938. After

the outbreak of war there was a falling off in contracts other than residential, and some decline in residential contracts. Contracts for business and industrial construction began to increase about the end of the year and by March all major types of construction were showing substantial increases over the previous year. Total figures for the three months ending May 31 have not been exceeded since 1931, and this is true as well for all the major categories of construction except engineering work where in 1937 these three months showed a high figure.

During the fiscal year 1939-40 loans approved under the National Housing Act showed a substantial increase and reached a total of nearly \$22,000,000 which was equal to almost a third of the value of all contracts awarded for residential construction during that year. Early in December it was announced that, in order to conserve the financial resources of the Dominion, loans under Part I of the Act would be restricted to a maximum of \$4,000, and to single family houses, for applications received after December 31, 1939, and that the assistance by way of tax payment benefits under Part III of the Act would be restricted to buildings commenced before May 31, 1940. One effect of this announcement was to produce a rush of applications in December, and this shows up in the high figures for loans approved in January and February notable in the table below. Loans under the Home Improvement Plan have continued to increase and all months in the last fiscal year have shown increases over the corresponding months in the preceding year.

CONTRACTS AWARDED

(Millions of Dollars)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
<i>Total Contracts Awarded</i>	380.8	500.2	104.3	161.9	218.8	188.6	191.9	10.6	18.8
Residential.....	111.0	137.4	26.0	49.6	54.1	63.0	64.5	4.7	4.9
All other.....	269.8	362.8	78.3	112.3	164.7	125.6	127.4	5.9	13.9

MONTHLY INDEX OF CONTRACTS AWARDED*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	65.3	53.2	53.1	53.8	55.7	54.1	55.2	50.4	74.8	45.6	69.1	53.6
1939-40.....	54.3	53.0	64.1	56.2	64.9	52.9	42.6	41.7	64.8	53.0	68.4	87.1

* Seasonally adjusted.

LOANS APPROVED UNDER NATIONAL HOUSING ACT*

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1935-36.....	—	—	—	—	—	—	214	152	159	142	89	48	804
1936-37.....	432	281	698	690	518	424	372	301	450	407	317	506	5,396
1937-38.....	865	821	919	1,049	753	551	742	636	500	456	342	1,190	8,524
1938-39.....	832	1,496	2,097	1,707	1,031	1,241	1,269	1,740	1,241	646	763	1,542	15,605
1939-40.....	1,403	2,426	2,197	2,772	2,184	2,192	1,313	1,615	1,255	2,193	1,421	953	21,924
Grand Total.....													52,553

* Dominion Housing Act prior to August, 1938.

LOANS APPROVED UNDER HOME IMPROVEMENT PLAN

(Thousands of Dollars)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Total
1936-37.....	—	—	—	—	—	—	—	682	516	303	306	598	2,405
1937-38.....	1,240	1,606	1,592	1,342	1,146	1,206	1,185	916	613	377	367	533	12,123
1938-39.....	956	1,325	1,437	1,233	1,138	1,311	1,224	968	648	403	409	650	11,702
1939-40.....	1,099	1,950	1,902	1,786	1,878	1,653	1,245	1,014	716	487	480	670	14,880
Grand Total.....													41,110

RAILWAYS

9. Movement of the near-record grain crop and the heavy demands placed on transportation facilities with the outbreak of war were responsible for a level of railway operations during the period since mid-year of 1939 which was considerably higher than that of any recent years. This is graphically illustrated by the striking increase in net operating income for the March-April average of 1940 over that of 1939. Carloadings during the first eight months of war show an increase of 14.4% over the similar period a year earlier.

RAILWAYS

	Calendar Years						Mar.-Apr. Av.	
	1926	1928	1932	1937	1938	1939	1939	1940
<i>All Railways</i>								
Operating Revenues (millions of dollars).....	493.6	563.7	293.4	355.1	336.8	366.5*	25.4	30.2*
Net Operating Income (millions of dollars)....	+49.2	+57.9	-62.9	-31.2	-55.0	-34.0*	+0.6	+4.0*
Carloadings (thousands of cars).....	3,267	3,706	2,179	2,635	2,429	2,549	185	207
Railway Payrolls (millions of dollars).....	260.4	287.8	181.1	193.6	195.1	200.0*	14.8	16.1*

* Preliminary.

MONTHLY INDEX OF CARLOADINGS*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	71.4	71.8	68.7	71.5	76.3	81.0	76.0	74.2	73.7	70.7	66.7	70.5
1939-40.....	69.2	81.1	71.3	70.8	82.0	95.6	80.0	84.0	82.6	86.7	83.1	79.0

* Seasonally adjusted.

FOREIGN TRADE

10. Total Canadian trade with the rest of the world, including net exports of non-monetary gold, was just under two billion dollars in the fiscal year ended March 31, 1940. Exports of merchandise increased by 16.8% over the preceding fiscal year, while imports rose by 25.7%. The relatively greater increase in imports resulted in a reduction of about 2% in the net export balance, including net exports of non-monetary gold.

Although our foreign trade was moving upward prior to last August, the war produced an immediate stimulus to both exports and imports, so that trade during the war period showed a substantially greater proportionate increase

than that of the fiscal year. Exports of merchandise in the eight months ended April, 1940, were 23·9% greater than in the same period of the previous year, while imports of merchandise were 48·9% greater. During this period as compared with the same period a year before our merchandise exports to the United States increased by 47·5% and to the United Kingdom by 19·5%, while imports from the same countries increased by 62·6% and 13·2% respectively. Exports to the United States showed their most marked advance during the first four months of the war when American business was expanding rapidly, while exports to the United Kingdom have shown their substantial increase since the beginning of 1940. Imports from the United States, however, have continued at a high level since the beginning of the war.

Commodity exports which showed notable gains in the war period over the same period of the previous year, and the percentages by which they increased, were as follows: Wheat flour 77%, meats, chiefly bacon and ham 66%, wood pulp 56%, wheat 54%, asbestos 46%, planks and boards 35%, cheese 33%, and paper 22%.

FOREIGN TRADE

(Millions of Dollars)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
Merchandise Exports (all gold excluded).....	1,260·7	1,376·5	476·9	901·1	991·2	841·6	983·4	60·5	84·1
Net Exports of Non-Monetary Gold.....	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Total Exports, including Non-Monetary Gold.....	1,295·5	1,413·0	547·6	1,128·4	1,138·9	1,009·1	1,171·4	73·6	101·2
Merchandise Imports (all gold excluded).....	1,030·9	1,265·7	406·4	671·9	799·1	658·2	827·4	50·1	81·3
Total Trade.....	2,326·4	2,678·7	954·0	1,800·3	1,938·0	1,667·3	1,998·8	123·7	182·5
Export Balance.....	+264·6	+147·3	+141·2	+456·5	+339·8	+350·9	+344·0	+23·5	+19·9
<i>Merchandise Trade by Countries (all gold excluded)</i>									
United Kingdom—									
Exports.....	448·0	431·7	185·1	406·8	407·8	326·9	364·0	21·6	38·9
Imports.....	163·9	194·0	86·5	129·5	145·0	115·6	119·5	8·8	12·4
Other Commonwealth Countries—									
Exports.....	94·3	107·0	38·2	88·2	108·7	103·5	106·2	7·4	8·8
Imports.....	50·2	63·4	33·9	68·7	88·2	65·1	85·1	4·0	7·3
United States—									
Exports.....	472·5	508·9	144·7	364·4	343·3	288·5	399·9	23·5	28·6
Imports.....	687·0	868·0	232·5	393·7	457·3	412·5	554·1	33·4	55·6
Other Countries—									
Exports.....	245·9	328·9	109·0	130·8	130·0	122·7	113·3	8·0	7·8
Imports.....	129·8	120·3	53·5	80·0	78·6	65·0	68·7	3·9	6·0
<i>Principal Commodity Exports</i>									
Non-Monetary Gold.....	34·8	36·5	70·7	137·3	147·7	167·5	188·0	13·0	17·1
Paper, chiefly Newsprint.....	123·2	148·4	77·2	117·8	129·9	115·0	129·4	8·8	12·2
Wheat and Wheat Flour.....	421·8	493·6	147·5	245·0	139·5	100·3	140·9	3·7	9·0
Copper and its Products.....	14·9	28·0	12·3	40·2	57·3	53·9	53·6	4·6	4·5
Nickel.....	12·9	23·9	7·5	45·9	61·9	49·6	57·9	4·7	5·4
Planks and Boards.....	59·8	47·7	11·1	40·3	43·7	37·1	50·5	2·9	3·8
Meats.....	29·4	19·2	6·7	36·1	41·4	35·3	45·0	2·7	5·6
Wood Pulp.....	49·9	44·9	17·8	33·2	40·0	26·8	35·7	2·2	3·9
Automobiles and Parts.....	36·4	45·4	7·8	22·3	28·3	25·3	23·3	2·0	1·4
Fish.....	34·5	34·9	16·6	25·1	26·3	25·6	27·9	1·7	2·0
Fruits and Vegetables.....	18·7	12·0	11·4	13·6	16·6	20·2	22·5	0·7	1·6
Milk and its Products.....	41·6	35·8	11·7	14·4	17·7	17·6	18·7	0·6	1·0

†Adjusted for earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

EMPLOYMENT AND UNEMPLOYMENT

11. The general index of employment registered a gain of 4.4% during 1939-40 over the previous fiscal year. Although in the early part of 1939 employment was at levels considerably below those of the preceding year, it rose gradually with increased business activity and since June each month has shown a substantial increase over the same month of the year previous. The May 1 figure this year at 118.7 for the general index was about 7.6% higher than the same date in 1939 and was higher than any other May except that of 1929. Greatly increased employment in manufacturing, logging, mining and transportation contributed to this upward movement. The index of employment in construction and maintenance has recently been at levels considerably below those of a year ago owing to curtailment of expenditure on highway construction and maintenance; other branches of construction have shown increases.

The improved employment situation is reflected in the lower number of persons in receipt of relief. In each month since November, 1939, both the numbers of employable unemployed and of all persons on relief have shown a considerable reduction from the same month of the previous year. Preliminary figures for April, 1940, show a decrease of 25.2% from April, 1939, in the total of relief recipients, and a decline of 11% from the same month in the number of employable unemployed. The number of wage-earners unemployed in April, 1940, was estimated by the Bureau of Statistics to be about 367,000, as compared with 473,000 in April, 1939, a decrease of about 22.5%. This 367,000 includes a considerable but unknown number of enlisted men who were formerly unemployed.

EMPLOYMENT INDEXES

(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939*	1940*
All Industries.....	100.8	113.7	84.4	104.4	115.7	110.9	115.8	111.0	118.3
Manufacturing.....	100.8	112.7	81.8	104.7	115.5	110.0	116.1	108.6	124.8
Logging.....	100.2	116.6	42.7	153.4	201.6	107.4	130.2	84.4	129.2
Mining.....	101.2	115.5	97.2	140.7	155.2	157.4	165.4	163.3	170.1
Transportation.....	100.4	106.7	82.7	84.6	85.2	84.3	86.5	85.0	88.3
Construction and Maintenance.....	101.4	120.2	77.1	83.5	104.0	110.0	103.3	128.6	79.6
Trade.....	100.8	118.2	114.4	128.4	132.5	133.4	137.9	132.4	140.6

* Seasonally adjusted as at first of month.

EMPLOYMENT—ALL INDUSTRIES

Monthly Index*

(1926=100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39.....	111.2	111.5	111.9	111.4	109.0	110.8	111.0	109.7	111.3	111.3	110.6	111.0
1939-40.....	111.1	110.3	113.1	113.6	114.3	115.0	115.8	118.3	119.8	120.7	118.8	118.3

* Seasonally adjusted as at first of month.

EMPLOYABLE UNEMPLOYED IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour
(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	169	154	138	132	124	115	124	143	162	181	191	192	152
1939-40.....	187	169	149	141	142	125	125	133	147	164	170	173	152

ALL PERSONS IN RECEIPT OF MATERIAL AID

From the National Registration—Department of Labour
(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
<i>All Persons—</i>													
1938-39.....	1,024	956	885	836	758	554	641	787	896	977	1,019	1,028	863
1939-40.....	1,005	923	839	806	803	539	544	586	629	714	753	773	743
<i>AGRICULTURE—</i>													
1938-39.....	392	380	304	339	287	109	168	252	292	321	321	323	295
1939-40.....	319	297	282	271	258	50	60	78	73	96	112	124	168
<i>URBAN—</i>													
1938-39.....	632	576	521	497	471	445	473	535	604	668	698	705	569
1939-40.....	686	626	557	535	545	489	484	508	556	618	641	649	575

WAGE EARNERS UNEMPLOYED*

Estimated by Dominion Bureau of Statistics
(thousands)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Average
1938-39.....	437	400	387	407	368	346	378	398	472	485	491	494	421
1939-40.....	473	395	369	352	332	300	283	296	364	377	387	391	360

* Beginning with Sept. 1939, includes a considerable number of enlisted men who were previously unemployed wage earners.

PRICES

12. The gradual decline of wholesale prices which had marked the latter part of the fiscal year 1938-39 continued up until August of 1939, and the index reached a low point of 72.4 in that month. During the economic adjustments that took place in the month or two immediately following the outbreak of war, and in considerable part due to such factors as exchange movement, higher ocean freight and insurance rates, and forward buying both by consumers and producers, wholesale prices of some commodities rose fairly steeply, particularly those of certain imports and exports, including grains and animal products. The total index rose to 79.3 in October, i.e., by about 10% in two months. From that point on to March the rise was more gradual and the index reached a peak of 83.2 in that month. This rise showed up mainly in a further increase in grain prices and in textile prices. Since March there has been a slight decline largely due to lower prices for animal products and grains, and the index for the week ending June 7 was 81.9.

It may be of interest in wartime to note that prices of fully and chiefly manufactured goods have followed very closely the movements of the general index, and that the index of the group "iron and its products" has risen by only about 5% since August while the group "producers' equipment" has increased less than 2%. It may also be worth noting that the index of our export prices had risen by about 24%, and that for imports about 17% between August and April.

During the six months before the war the cost of living remained at the low level to which it had declined in the latter part of 1938. Increased cost of food and, to a much lesser extent, of fuel, caused a rise of about 2% in the index in the first two months of war. Since that time only minor changes have occurred in the total index. Increases in the cost of clothing early in 1940 were offset by some reduction in the cost of food. The latest figure shows an increase of only 3% over that of a year ago.

While no official indexes of wage rates exist except on an annual basis, other information indicates that there have been numerous increases in wage rates, particularly in those trades where there is already some evidence of a shortage of skilled labour.

PRICES

Indexes
(1926=100)

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
<i>Wholesale Prices</i>	98.8	95.8	65.5	77.2	84.6	76.0	77.8	73.3	83.1
Consumer's goods.....	98.5	95.2	70.4	75.7	79.7	76.1	77.9	74.1	82.7
Producer's goods.....	99.0	95.9	61.3	76.4	85.5	72.1	73.2	68.2	80.2
Export prices†.....	100.0	94.2	54.9	71.3	81.1	65.9	66.6	60.3	74.0
Import prices(†).....	100.0	96.1	70.5	82.1	89.0	82.2	87.7	80.7	94.2
13 sensitive manufacturing materials....	96.3	87.6	36.6	61.0	62.5	49.8	61.4	51.0	67.6
<i>Retail Prices</i>	99.5	98.9	71.3	73.9	79.0	78.7	79.1	77.4	81.4
<i>Cost of Living</i>	99.6	98.9	79.9	81.2	83.6	83.8	84.1	83.1	85.6

† For the fiscal years 1927, 1929 and 1933 figures for nearest calendar years are given.

MONTHLY INDEX OF WHOLESALE PRICES

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	81.3	80.3	80.1	78.6	76.0	74.5	74.1	73.5	73.3	73.2	73.2	73.3
1939-40	75.4	73.7	73.3	72.6	72.4	73.2	79.3	80.3	81.7	82.6	82.8	83.1

MONTHLY INDEX OF COST OF LIVING

(1926 = 100)

Fiscal Years	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.-Apr. Av.
1938-39	84.2	84.2	84.1	84.2	84.3	84.1	83.3	83.8	83.6	83.6	83.1	83.1
1939-40	85.1	83.1	82.9	83.1	83.0	82.9	84.7	85.0	85.3	85.1	85.2	85.6

FINANCIAL FACTORS

13. The outstanding facts relating to financial conditions during the past year are, firstly, the changes in exchange rates and the imposition of exchange control, secondly, the smooth working of our credit and monetary machinery and, thirdly, the disturbances caused to security markets by various developments in the war.

The foreign exchange value of the Canadian dollar remained close to the United States dollar until about a week before the outbreak of war. Between August 24 and September 15 it fell to a discount of about 10%. On September 15 the Foreign Exchange Control Board was established and after that date all sterling and foreign exchange transactions of Canadian residents were subject to its control. The official rates established by the Board were: American dollars, buying rate, \$1.10, selling rate \$1.11; Sterling, buying rate \$4.43, selling rate \$4.47. These official rates closely approximated the actual rates prevailing during the few days prior to control, and have not been changed since they were established. Practically all dealings involving Canadian dollars take place at these official rates. Non-residents of Canada are able to transfer Canadian bank balances and other assets to other non-residents, and there is a market for Canadian dollars in New York which is not subject to control by the Foreign Exchange Control Board. The small volume of transactions in this market makes its rates of little significance and also makes them rather unstable.

During the early months of the fiscal year 1939-40 the average yield on long-term Dominion Government bonds remained close to 3%. In the disturbances that naturally took place on security markets at the time of outbreak of war bond prices declined sharply and the average yield on long-term Dominion bonds in September was about 3.60%. From September to April there was a rather irregular recovery in the prices of these bonds, and by the end of April the yield was back down to 3.25%. Since that time there has been a small decline in price, and yields during the first half of June have been in the neighbourhood of $3\frac{1}{2}\%$. Canadian stock prices declined moderately in the weeks preceding the outbreak of war. After the war began industrial share prices rose sharply, particularly those of pulp and paper companies. Golds and utility stocks also began to rise before the end of September, and there was a general but mild upward movement till the end of the year. During the first four months of 1940 all groups except the paper stocks suffered a small and gradual decline. In May, however, there was general and severe liquidation which carried most groups to levels lower than any in recent years.

During the first five months of the fiscal year 1939-40 monetary and banking conditions remained stable. Cash reserves of the Chartered Banks increased slightly from \$257 millions in March to \$261 millions in August, while Canadian deposits of the banks increased in proportion. During the three months after the outbreak of war the Bank of Canada added substantially to its security holdings which increased from about \$163 millions in August to \$248 millions in November. This provided cash to meet the enlarged public demands for currency and to increase the cash reserves of the Chartered Banks from an average of \$261 millions in August to an average of \$294 millions in November. With this increase in their reserves the Chartered Banks were enabled to increase their Canadian deposits from \$2,565,000,000 at the end of August to an all time record figure of \$2,871,000,000 at the end of November. In these three months the security holdings of the Chartered Banks rose by \$158 millions, and their current loans to the public by \$147 millions. From November until April the Bank of Canada gradually reduced its security holdings from \$248 millions to \$206 millions. The cash reserves of the Chartered Banks have fallen in the same period from \$294 millions to \$271 millions. Total Canadian deposits of the Chartered Banks have been reduced less than in proportion and at the end

of April amounted to about \$2,753,000,000. This has involved a reduction of the security holdings of the Chartered Banks of about \$73 millions, which is a little less than half their increase last fall.

Total net Government and corporate bond issues in 1939, as reported by the Bank of Canada, amounted to about \$237 millions, exclusive of municipal issues. This compares with \$174 millions, \$56 millions and \$106 millions in the preceding three years. The \$237 millions included net Dominion direct and guaranteed and other C.N.R. issues amounting to \$177 millions, Provincial issues amounting to \$79 millions and net retirements of corporation issues of \$20 millions. In the first quarter of 1940 there have been net Dominion and C.N.R. issues of about \$168 millions and net Provincial issues of about \$40 millions.

On April 30, 1940, an Order in Council was passed requiring all Canadian residents to sell their holdings of foreign exchange (but not of foreign securities) to the Foreign Exchange Control Board before May 31. Some exemptions were made for those requiring a certain amount of foreign exchange to carry on their normal business. As part of this mobilization of foreign exchange resources the gold and most of the foreign exchange reserves of the Bank of Canada were transferred to the Board. In order to provide the Board with the funds to purchase this gold and foreign exchange, the Exchange Fund was increased by \$325,000,000, which was raised by the sale to the Bank of Canada of that amount of short-term Dominion securities. As a consequence of these operations the statements of the Bank of Canada since May 1 show no figures for gold coin and bullion, and much larger figures for investments. The value of gold held by the Bank on April 30 was \$225,772,887.41.

FINANCIAL FACTORS

	Fiscal Years ended March 31							Mar.-Apr. Av.	
	1927	1929	1933	1937	1938	1939	1940	1939	1940
<i>Security Prices and Yields</i>									
<i>Indexes of Common Stock Prices (1926=100)</i>									
General Index.....	101.8	173.3	52.1	125.5	117.6	103.8	99.4	99.9	98.0
Industrials.....	102.4	222.2	60.1	207.6	192.2	171.8	163.0	164.5	157.0
Gold Mines.....	—	94.1	59.0	132.0	112.7	118.8	107.9	114.1	96.1
Dominion Bonds—Average Yields (%).....	4.82	4.64	4.90	3.29	3.32	3.09	3.26	3.03	3.30
Dominion Treasury Bills—Average Yield (%).....	—	—	—	.778	.739	.601	.702	.650	.745
<i>Banking and Currency</i>									
<i>(Millions of Dollars)</i>									
<i>Bank of Canada—</i>									
Total Reserves.....	—	—	—	194.8	206.0	217.5	267.0	236.4	284.6
Total Security Holdings.....	—	—	—	135.8	166.6	179.5	200.2	160.3	206.9
Active Note Circulation.....	—	—	—	70.6	95.9	107.8	140.5	108.3	152.7
Government Deposits.....	—	—	—	23.1	23.7	24.0	39.3	19.8	47.7
Chartered Banks' Cash Reserves.....	—	—	—	230.6	243.1	259.5	270.8	258.6	269.9
<i>Chartered Banks—</i>									
Canadian Deposits.....	1,978.0	2,274.0	1,929.0	2,280.1	2,390.6	2,487.0	2,697.0	2,544.5	2,743.5
Notice Deposits.....	1,355.7	1,507.0	1,378.3	1,530.6	1,584.7	1,649.6	1,700.1	1,698.7	1,666.3
Demand Deposits.....	557.8	682.4	473.1	646.0	684.0	705.0	764.1	710.4	791.0
Total Security Holdings.....	517.8	517.0	726.2	1,370.3	1,430.7	1,450.5	1,577.5	1,503.9	1,596.4
Current Loans in Canada.....	957.7	1,212.9	997.9	685.6	744.1	799.4	899.7	807.3	959.2
Call Loans in Canada.....	145.5	260.1	109.0	104.0	94.3	64.5	52.6	55.0	52.9



